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Shanghai Made: The Trade Off Between Global Transformation and Social Equity in a Chinese
City

Senior Project Submitted to
The Division of Social Studies
of Bard College

by
Nikhil Amar Inalsingh

Annandale-on-Hudson, New York
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Historical Preface

In the early 19th Century, Shanghai was merely a small keystone fishing village. Shanghai was severely underdeveloped in comparison to other prominent Chinese cities, such as, Canton [known today as Guangzhou] and Hong Kong. Nonetheless, Shanghai is located directly along the Yangtze River harbor. The Yangtze River stretches 3,915 miles from Shanghai's coast through mainland China. Eventually, this advantageous geographic location would be the primary element that influenced the future trajectory of Shanghai's development.

In 1842, the aftermath of the first Opium War (1839–1842), between the United Kingdom and the Qing Dynasty [1644 to 1912] resulted in the Treaty of Nanking. This treaty ceded the Hong Kong territory to the British and opened up five treaty ports for foreign occupation. Shanghai was among the five treaty ports, which subjected the region to become a facilitator of global trade. After the port opened, foreign and Chinese merchants began migrating towards Shanghai to seek economic opportunities. The rise of foreign populations in Shanghai caused the Chinese imperial government to establish legal rights alongside Shanghai populations. The imperial government implemented a “loose reins” (*Jimi*) policy that would grant foreigners sovereignty in conceded territories. This acted to segregate the two different populations to avoid Sino-foreign altercations through controlling how the urban space should be developed.

In 1845, the Chinese imperial state developed *Land Regulations* that granted “[the British] the right to install themselves in a zone measuring amount 832 *Mu* (56 *hectares*); and later increased to 2,820 *mu* (199 *hectares*) in 1848” (Bergere 28). This land acquisition is formally known as the International Concession. Only a year after this land transaction was made, the French proclaimed to create boundaries of the French concession in Shanghai. Foreigners that occupied Shanghai started to transform the urban landscape. This can be observed through the development of foreign and semi-foreign residencies. As trade and market

activities intensified, Chinese merchants traveled towards Shanghai to participate in the developing economy. These merchants wanted to settle in Shanghai to decrease transportation costs and have direct access to the market. Therefore, as merchants (both foreign and Chinese) began to claim portions of the city. This broke down the “loose reins” policy that segregated Chinese and foreign populations. Thus, a market for land exchanges between foreigners and local Chinese residents arose around the International and French Concessions.

The market-oriented exchanges made between foreigners and Chinese merchants provided opportunities for the two different populations to culturally integrate. The demand to live in Shanghai contributed to foreign housing development speculation because the perceived profits that could be earned. Foreign directed real-estate developers would speculate on urban land, hire Chinese contractors to develop the space, and lease the final product to Chinese or foreign tenants. Eventually, revisions of the 1854 Land Regulations were legalized Chinese residence in the foreign settlements. “The power of capital broke down the invisible settlement walls that Chinese authorities originally wished to retain, and transformed Western and Chinese traditions by juxtaposing the one against the other” (Liang 485). The housing options that would be developed is a part of a much broader system at work that combines material and immaterial connections, social relationships, traditions and beliefs, taste, into a physical space based on the different populations that live in the city (Liu 118). The international aura that surrounded the city, led to the creation of *Lilong* residential homes in the Shanghai market town.

Lilong ‘alleyway’ residencies were two stories with accompanying segmented rooms that each served a different purpose. *Lilong* (lanes and alleys) neighborhood housing patterns are rectangular city blocks in commercially developed rows arranged side by side along an interior network of main lanes and flanking rows of perpendicular alleyways (Liang 484). Another

feature of these dwellings was the commercial and residential utilizations of the space. The ‘li alleyways’ provided enough space for open access to market and trading activities while still having enough separation to have as your home. Creating urban residential architecture that molds commercial and living quarters in a developing market-driven city made sense. “The blatant commercial use of a monumental entrance in a residential compound testified to the fact that the traditional borderline between residences and commercial streets was melting away...the li layout was more fluid and brought together residential and commercial spaces, or courtyards, streets, and alleyways” (Liang 491). The mixture of a dwelling-workspace reflects the quality of business opportunities and housing values that could be obtained by living in these communities. Furthermore, it acted as a centralized space that facilitated the constant flow of capital and cultural urban life.

The semi-colonial state that was developing in the International and French Concessions of Shanghai was creating an international community that provoked multiple interpretations of the urban space. The seeds of capitalism were becoming rooted in Shanghai’s identity, and the international settlements were now at the forefront of Shanghai’s economy. There was a symbiotic nature of the different actors involved with the growth of the region. However, there was a growing urge for the Chinese to reclaim portions of the city that had been dominated by foreigners since the mid-nineteenth century. “The greater Shanghai plan, Like Sun-Yat Sen's proposal, was ‘intended to shift the focal point of Shanghai away from the international settlements, and form the nucleus of the reclaimed Chinese metropolis” (Liu 128). Once the Mao regime and communist domination loomed, Shanghai’s presence in the world economy contracted. The flourishing market-town that was developed appeared to be vanishing.

In 1949, Shanghai's prosperity eventually came to a halt once the Chinese Communist Party (CCP) overthrew the competing Nationalist regime for political control. The CCP sought to abolish the free market and foreign influence by instituting a socialist driven ideological outlook on society and the economy. The CCP believed the development during capitalist practices created socio-economic inequality between foreigners and Chinese residents. Foreigners often received more benefits for their labor, whereas the Chinese worker received little pay and limited housing options. The mobilization of Chinese nationalism was an effective tool to promote this transition among the Chinese populations. Unfortunately, the landscape and markets that Shanghai successfully built were dismantled under the new communist regime.

Once the Communists liberalized Shanghai, the party restructured the local economic practices. Prior to 1949, Shanghai used global trade, exchange, and international influence to develop the city. This capitalist relationship that Shanghai and foreign firms fostered was mutually beneficial by providing the capital and technological systems to allow Shanghai to modernize the city by western standards. As the new political regime began, one of their challenges was to, "whip the capitalist Shanghai into socialist shape" (Yatsko 10). Once Mao consolidated his power, the major contributors of Shanghai's free market system in political and economic spheres were purged or fled to Hong Kong. Local residents, businesses, and foreigners operating together is what made Shanghai a unique Chinese city. Now that the state-planned economy took over, that was being orchestrated by the central government in Beijing, Shanghai began to lose its spark.

Mao's agenda was to prioritize the country's attention on industry rather than urban development, commerce, and finance. Clearly, this was a radical shift from the economic activity that Shanghai once operated in. In 1953, Mao initiated his first-five year (FYP) plan which

formally prioritized industrial growth over urban and infrastructure development. This movement targeted the creation of state-owned enterprises, increase agricultural and industrial output, the creation of communes, and individual contribution. The extent of this mobilization towards economic output was driven by competing with other foreign countries. Mao outlined the first FYP framework by surpassing countries like, the United States and United Kingdom, in industrial output. “Its industrial development intensified under the aegis of municipal authorities to whom administrative decentralization had restored power and at the same time granted increased resources: in 1958, the metropolis could boast 698 new industrial projects in the making” (Bergere 369). This economic transition reflects the ideological difference between productive and nonproductive sectors. There was less attention towards the remodeling of the city through constructing new buildings, but rather promoting industrial output of goods and services in the state-planned economy. Consequently, urban infrastructure was now becoming neglected and led to urban decay.

During Mao’s rule, Shanghai was emerging as the centralized region for industry in China. However, under the socialist framework, Shanghai did not retain much of the earnings that were generated by their industrial growth. Instead, a newly introduced vertical political and fiscal structure created a provincial hierarchy across China. All Chinese provinces were subordinate to the central government in Beijing. Under this system, each province would send their ‘productive’ earnings to the central government in Beijing, and would be redistributed across mainland China. Since Shanghai is responsible for a majority of China’s industrial growth, the city was relied upon to intervene at a national scale to essentially, “subsidize” the lack of resources across China. “It is estimated that between 1950-1976 the city handed over to the Center funds thirteen times greater than those that it received for its municipal budget. On

average, 87% of its tax revenues were siphoned off for Beijing” (Bergere 370). Since the city was focused on allocating resources to other provinces, Shanghai was unable to focus on its own progress.

Another radical change the Mao-regime made was land reform. Before 1949, land could be a source of rent by local landlord and foreign classes. The rent that was earned from land could create quite lucrative profits, and contributed the inequality between social classes. The CCP’s goal was to break down the barriers between social classes, and used land reform as a policy to do this. In 1950, the CCP launched their Land Reform Act to prioritize urban land towards state-planned industry and national business development. Thereby, abolishing the land market by prohibiting individual land transactions. Housing would now be considered an integral component of the work-unit that would allocate this resource on an individual level. Work units places of employment at state owned enterprises that distributed housing as a part of employee’s wage.

CCP officials believed they needed to transform the housing sector to conform to their socialist framework. This involved two crucial steps. First, the government would intervene and negotiate fair rent prices between tenants and landlords. This took the form of rent control, which stabilized rapidly rising rent prices due of the imbalance between an inadequate housing supply, excess demand, and speculative pricing of land. Land and building capital was no longer intended to earn rent by private ownership. Second, the central government formed public-private partnerships to create business opportunities in the urban center. The CCP relied on reluctant capitalists to stay in mainland China to lend their business expertise and capital to industrialize China’s economy.

The 'state' now acted as the landlord for Shanghai residents. The value of rent was standardized, "to ensure that the amount of rent charged would not affect tenants' living standards" (Zhang 441). Since rent-revenue was not intended to generate any profit, buildings and land lost their significance to be maintained. Due to these transitions made by the CCP, the incentive to maintain urban property was lost. Therefore, Shanghai's housing stock was in disrepair. In addition, the actively growing industrial base required an increase in the labor force which the current state of the housing stock could not sustain. "The majority of the working class lived in overcrowded or substandard conditions. Housing shortage and overcrowding were still the major problems which caused the government concern. For example, in Shanghai the average living space per capita was 3.339 m² and more than one million people lived in the slums. The domination of private ownership as hindering the CCP's efforts to achieve socialist goals" (Zhang 438). The condition of the current housing stock in post-liberation Shanghai reveal the CCP's broader goal. The party wanted to distinguish between production and living. A propaganda slogan during the 1950s was, "first production, then living." Living was a personal interest, and people's attention should be looking towards doing their part for the productive socialist economy. Therefore, living conditions were no longer valued monetarily, causing their physical quality to decline.

Introduction

Shanghai's legacy status as a global city was striving to be reimagined in the modern-era. The opening of the Shanghai Port in the mid-nineteenth century is considered the core event for the city realizing its geographic advantage compared to other Chinese cities. Shanghai acted as a gateway to the rest of mainland China. This led to foreigners, capitalists, traders, and other market players migrating towards Shanghai. Everyone wanted to take advantage of the economic opportunities that were available. These opportunities led to the upward trajectory of Shanghai's urban development, and qualified its position as a global city by facilitating trade.

However, shifting political governance cut off the established global city identity Shanghai was able to earn. Shanghai's pro-growth, foreign economic influence and capitalist driven city did not conform to ideals of the Chinese Communist Party (CCP). In this new economic system, the CCP relied on Shanghai to generate a disproportionate amount of economic output for the entire country, and do so under the Central government's authority. This caused the direction of Shanghai's development declined.

In particular, the housing options available in Shanghai were not suitable because Mao's socialist policies affected Shanghai's urban landscape. First, Shanghai was repositioned in the Chinese political hierarchy as a subordinate to the Central Government located in Beijing. The city was required to follow policy instructions from the Central Government's, which prevented any latitude for Shanghai to independently manage their urban space. Furthermore, Shanghai was required to remit their locally generated revenue to Beijing so it could be redistributed nationally across China. This restricted Shanghai's financial and decision making autonomy to conform to the Central Government's ideal plan. Second, Mao's socialist economy was structured to achieve industrial modernity. This meant catching up to developed economies, like, the United States and

United Kingdom in terms of industrial output. In order to meet this target, Shanghai experienced a rise in urban population to supply a workforce in these industries. Exclusively focusing on industrial output prevented Shanghai from being concerned with other issues that were relevant in the city. Such as the housing accommodations for the workforce to live in.

Third, the industrial-centric economy defined urban property as a “means to production” and should be excluded from economic transactions according the socialist principle of public land ownership. The CCP’s nationalization of urban land ensured the resource was being used for its industrial productivity instead being exploited by a private landowning class. However, the lack of attention and investment the state paid towards housing contributed it to physical decay. Lastly, the public ownership of urban land made it a resource allocated through of the work-unit. Since housing was considered a public good, it was less worthwhile to expand and update the housing stock. Ultimately, these factors led to the physical quality of housing to deteriorate throughout the Mao-years.

The quality of urban housing as the Reform and Opening period began was embarrassing for Shanghai. Shanghai’s physical and economic development in its earlier history had been squandered by the cloud of communism and Mao’s authoritarian rule. However, China and Shanghai would not continue down this unsustainable path. The Reform and Opening movement expected to reintegrate market forces into the economy and deconstruct the “top-bottom” governance of the central government. This allowed city governments to become more accountable for the development of their space and granted local bureaucrats more autonomy to create and follow a procedure that worked best for them. Shanghai’s method started by undergoing a massive infrastructure investments that specifically targeted the improvement of housing options. During redevelopment, human built property could now be privately owned,

while the government retained its ownership of land that the structure stood on. This gave the local governments the ability to sell land-use permits to private developers to provide capital for such projects. This process of improving housing conditions created a conflict between the Shanghai government, occupants of urban residencies, and the private developers that were contracted to redeveloped delinquent homes. Unfortunately, occupant's property rights were undefined at the time this practice of urban renewal was unfolding across Shanghai. Undefined property rights were taken advantage of to expedite these redevelopment projects. As old Shanghai homes were targeted for redevelopment, residents were not given reasonable notice that they would be forced to vacate and relocate to other parts of the city. After being forcibly evicted, private developers could demolish existing structures and replace them with buildings of higher valued use.

This feedback loop provided a majority of Shanghai's regional growth after the Reform and Opening. Revitalizing these old housing structures paved the way for Shanghai to remove the city's condition of the Mao-era from cultural memory. The new built environment can also be used as an indicator to reflect Shanghai's image as a global city that would be at the forefront of economic development of China. The housing options that developed in Shanghai during two decades of urban renewal (1990-2000) and (2000-2010) were geared towards higher income populations. Previous occupants who had their homes demolished were forced to be evicted, not fairly compensated for their cooperation, and could no longer afford the new value of rent in Shanghai. As a result, the demographic of residents in Shanghai was evolving towards affluence and excluded many of the improved urban conditions from evicted residents.

Chapter one investigates how the Reform and Opening Policy led the Central Government to write new constitutional rules. These rules decentralized their political and

economic authority over provincial, municipal, and district jurisdictions. In addition, these constitutional rules defined ownership of land and the tangible rights of the landowner. These rights established city governments, like Shanghai, as the landowner who could transfer the use rights according to law. This was taken advantage by the Shanghai government to delegate urban revitalization projects to private developers. Thereby, contributing to the economic growth and improved perception of the region. However, the new contents of the constitution aligned the interests of the local government and private developer in the process of urban renewal. Ultimately, this relationship excludes the local constituency from a fair and transparent process of urban renewal. This public-private institutional arrangement relationship is defined as “the urban growth regime,” which is formally introduced in chapter two.

Chapter two elaborates on the theoretical understanding of the urban growth regime, and how the public-private institutional relationship has given rise to rent seeking. Allowing the transfer of urban land use rights by law initiated a private land market in Shanghai. This granted the Shanghai government to sell land use rights of their urban land that needed to be developed as a strategy to enhance their economic growth. In addition, developers had access to the use-rights of increasingly valuable land that could generate revenue. Since the urban growth regime was trying to enhance their revenue, occupants of older housing units were subjected to an unfair process of renewal, and excluded them from any of the monetary benefits that were earned by the urban growth regime. Furthermore, existing Shanghai residents had undetermined property rights, which made it easier for the urban growth regime to complete their process. The technical process underwent is defined as “demolition and relocation” which will be closely analyzed during the first round of urban renewal (1990-2000).

Chapter three explores the second round of renewal that the urban growth regime completed to enhance the image of Shanghai across transnational borders. In light of public disputes about demolition and relocation, the Chinese government attempted to change the framework to improve the resident engagement and better forms of compensation. Still, the process could not exclude demolition and relocation because it was an effective tool to complete projects quickly. After twenty years of using demolition and relocation as a mechanism to complete urban renewal, the demographics of Shanghai were changing. As a result, the urban space has become gentrified with luxury apartments and modern amenities that were not intended for residents that were forcibly evicted. Instead, these new projects were meant to attract affluent populations to Shanghai. This strategy by the Chinese government can be interpreted as state-directed gentrification to improve the urban environment that qualifies as a global city.

Chapter 1: The Institutional Arrangement of Land-use Under Ambiguous Property Rights

The Reform and Opening

The Reform and Opening Policy [1978] was a monumental shift away from Mao's political and economic ideology. The performance of Mao's planned economy was poor in comparison with other East Asian countries, and was considered China to be in the primary stage of development. As a result, the Chinese economy was repressed by huge inefficiencies of state-owned enterprises, malinvestments of capital, and misuse of a productive labor force. After Mao's death in 1976, the Chinese Communist Party (CCP) leadership looked to incorporate the Reform and Opening policy to salvage the failing economy.

The Reform and Opening presents four core transitions of the Chinese economy. First, the central government in Beijing, decentralized their political command across China. Local bureaucrats at each province, municipality, and district could govern their own jurisdiction's process of development. However, the central government did not completely withdraw their authoritarian rule across China. Instead, the central government set certain growth expectations for individual jurisdictions, like Shanghai, to accomplish. This meant local officials could decide how their region would meet anticipated goals set by the central government.

Second, fiscal decentralization lessened the burden for local governments to remit their earned revenue to the central government. During the Mao years, each province was required to send all local earnings to the central government so it could be redistributed nationally. This affected the growth and development of Shanghai because it was remitting higher amounts of capital than it was receiving after redistribution. This was due to China's reliance on Shanghai to sustain the growth of the entire economy. Fiscal decentralization created a dualism for local

government-led economic development. On one hand, local officials were incentivized to generate revenue because they could retain a high portion and reinvest it in their region. On the other side, local officials were pressured to achieve economic goals because they would no longer receive any financial support from the central government. This played an important role in dictating local government sponsored economic development strategies.

Third, central government would no longer intervene in financial and capital markets, barrier to trade, allow the emergence of private sector activity (commerce, financial markets, real-estate development), and attract foreign direct investment. Fiscal independence meant local governments had to source funding from alternative sources in the private sector. This was an abrupt change from the fiscal restraints that burdened economically rich jurisdictions. For Shanghai, this aspect of the Reform and Opening policy would have a positive influence on the region's trajectory of development and growth.

Lastly, China's economy would be liberated from Mao's communist vision and open to the rest of the world by introducing a market economy with "Chinese Characteristics." Work units that were the place of employment at state owned enterprises previously allocated housing as a component of their wage could now be purchased by existing occupants at a discounted price. This shows that private ownership of housing was encouraged in the new conceptualization of the socialist market economy. However, residential property rights were never clearly established by government agencies. Without a clear understanding of property rights in this context, it is unclear how much ownership current occupants had of their property. The economic and political transitions under the Reform and Opening helped align the goals of the two most powerful institutional players—the Shanghai government and the private sector. Government officials needed to update housing options while needing to follow expectations of

growth figures in their territory. The local officials saw an opportunity to form partnerships with the private sector to obtain development rights the natural resources, urban land.

Property Rights Theory — “A Bundle of Rights”

Real estate is defined by land plus produced improvements fixed to it. These human productions are constructed either on or under the piece of land. Land and produced improvements can both be utilized to generate rent for the owner, and influence the economic development of the specific space. However, there should ideally be a framework that defines both tangible and intangible rights the land owner has in order for these activities to take place.

A “bundle of rights” commonly referred to as, “a bundle of sticks” links property with the economic system, political structure, and legal rights that indicate ownership by an individual or institution. Property, in this sense, is an object that is owned an individual or collective. Therefore, the bundle of rights phrase is meant to describe the different relationships between agents to indicate their ownership of property. Ownership of housing may divide property rights of the object into different owners. First, there is the owner of the actual land. The second is the owner of the human built establishment above or beneath the land. If the human production on the land is building used for housing, there would be a third owner to acknowledge in the relationship—that is, the building occupant. The different property right holders incorporated in this dynamic relationship can create conflict because each individual will have their own interest. Depending on the specific interests in mind, the laws of its use, control, and disposition can be highly contentious when the property rights of land and its attached objects are not clearly defined.

The complexity of vested interests that various owners of property have, “A bundle of rights” or “a bundle of sticks” became coined phrases that provide a theoretical understanding of different conceptualizations of property ownership. More specifically, the metaphor describes the ownership of the “object” and signifies a set of legal relationships between those who claim ownership. Wesley Hohfeld (1913) in his article, “Some fundamental Legal Concepts as Applied in Judicial Reasoning,” categorized these relationships as “four legal opposites” and “four legal correlatives.” “[this] conveys the idea that one who has a right is opposed by another who has no-right, and that these opposites are a set of legal relations that can describe any kind of property” (Johnson 251). These defined legal relations are established to hold each individual in the legal relationship accountable for their actions pertaining to ownership of property.

However, the relationship of property ownership is dependent on the social and political dimensions that underlie legal decisions in the society that are observed. Since ownership can be shared in a variety of ways, “the concept of the bundle of sticks, with different “owners” holding different sticks meant that property ownership was very flexible concept, largely unconcerned with the object itself” (254 Johnson). For that reason, ownership must be interpreted through various lenses such as the economic system, political structure, and legal rights that indicate ownership by an individual or institution.

Economic rights exercise the individual’s use of property as an asset. This makes their use of land or building capital dependent on the economic value that can generate revenue for its use. With that in mind, the owner(s) will be prescribed with three different rights. 1) The right to earn income from the good. Owners are able to earn rent derived from foregoing personal use of property and allow others to use it given that payments are made to the owner. 2) The right to manage. This gives the owner the privilege of establishing how and by whom the property

should be used for. 3) The right to capital. This grants power to the owner to determine to sell or give it away, consume, waste, modify, or destroy it.

Legal rights of property are defined by the government institution and recognized by the codified law. The law can guarantee what an individual or institution can or cannot do with their property. These are obviously subject to variations based on the institutional legal system and social norms that guide society. There are three different legal property rights. 1) The right to exclusive control of owned property. The possessor of property can enjoy their benefits exclusively without sharing it with others. 2) The right to immunity from expropriation of ownership. This means property cannot be taken from the right-holder. 3) The prohibition of harmful use. Owners must prevent the use of property that would not be harmful to others.

The political structure is the establishment that oversees the interpretation and enforcement of property rights through state judicial apparatuses. The court system will interpret the legal rights that have been defined and apply it to official decisions on property right disputes. In the court of law, the person who has their right supported by the state will be protected in the court of law. Unfortunately, the person who has no-right must follow the decision made, even though it may conflict with their best interests. This makes the court system very important because the judges whom are making these decisions generally reflect the social values of society.

The creation of these rights in different contexts is imperative for developing efficiency and growth in a city. However, these rights are constrained by institutional arrangements and social norms that are devised by society to shape human interaction. In China, the evolution of development and interpretation of such rights had consequential influences on the development of regions. The marketization of the economy has made land re-discovered as an economic asset

that could generate revenue for those who actively sought participation in the emerging land market. Now that revenue could be generated from land ownership and use, property rights became more problematic.

The 1982 Constitution

This section will explore the 1982 constitution and the following amendments in 1988 that show Deng Xiaoping's attempt to create an institutional foundation of domestic stability after the radical policies under the Mao-Regime, and transition China towards a modern state. The 1982 State Constitution and 1988 Amendments provides a legal basis for the broad changes in China's social and economic institutions that significantly revise the government structure. More specifically, these two versions of the constitution contain important provisions that contextualize the central government's policies determining land-use, property rights and ownership in China. Furthermore, the document(s) loosens the reins of the central government's control over local provinces, and permit jurisdictions more governing independence for development.

The 1982 constitution puts forth a mission for the central government and its citizens to mobilize China toward a prosperous and advanced nation. The advanced state China was striving towards meant following the 'socialist-road' by "improving socialist institutions, legal system, work hard to modernize industry, agriculture, national defense, and science and technology" (PRC Constitution, 1982). Achieving such goals meant China must move beyond policies of the Mao-regime and rebuild urban infrastructure and housing. Political decentralization made developmental policies no longer implemented from "top-bottom" politics. Cities, like Shanghai, were still required to follow long term physical plans by the central government because local officials were judged by economic measures that have been observed in the region. Such as, the

jobs created, buildings developed, and manufacturing/exporting. However, local governments had more latitude in determining different routes the region should take to complete the expectations set by the central government.

The domestic economy that faltered under the Mao-regime forced Shanghai to sustain the growth of the whole country. Shanghai was an economically rich region because of its coastal location that enhanced trading activities and neighbored a lot of industrial factories. The foundation of the socialist economic system was to grow as a collective, which burdened Shanghai to generate a majority of economic output that could be redistributed across the country. In order to alleviate the pressure of that was put on Shanghai, three essential goals of economic reform were integrated into in the 1982 Constitution.

First, the constitution coordinated local interests (governments and citizens) into national goals made by the central government. “The state economy is the sector of socialist economy under ownership by the whole people; it is the leading force in the national economy. The state ensures the consolidation and growth of the state economy” (Ch. 1 Art. 7). Second, aspects of the planned economy, like, public ownership of land was incorporated the into a free-market. “[the state] ensures the proportionate and coordinated growth of the national economy through overall balancing by economic planning and the supplementary role of regulation by the market” (Ch. 1 Art. 15). This attribute allowed the state to leverage its ownership of land in a free-market context to prioritize their interests. Third, attract financial investment from foreign agencies to work alongside the Chinese government interests. “The PRC permits foreign enterprises, other foreign economic organization and individual foreigners to invest in China and to enter into various forms of economic co-operation with enterprises and other economic organizations in accordance with the law of the PRC” (Ch. 1 Art. 18). This attempted to diversify the players who

were involved in economic development, and lessened the burden of the state to promote economic development. However, as more participants were involved, it was harder to manage and take into account of everyone's interest. This created a barrier for interests that the government did not support to be considered in the public sphere.

The constitution also emphasized that local governments had ownership of land and had implicit control of the trajectory of urban development in the region. According to chapter 1 article 10 of the constitution, “Land in the cities is owned by the state, and may in the public interest take over land for its use in accordance with the law. No organization or individual may appropriate, buy, sell or lease land, or unlawfully transfer land in other ways. All organizations and individuals who use land must make rational use of the land” (Ch. 1 Art 10). This provision contradicts previous goals of encouraging the private ownership of homes in two ways. First, city governments set aside a portion of new housing stock for sale to individuals at affordable prices. Second, programs encouraged residents to purchase the government-owned homes (delegated by their work unit). Despite the transition towards private ownership, the occupants had very unclear property rights that negatively impacted their interests. In addition, these properties that residents purchased were some of the first ones targeted for urban renewal.

Declaring that the state had ownership of urban land, and could “take over the land for the public interest” made current occupants vulnerable to property expropriation. The phrase “public interest” raised certain questions of who the ‘public’ included and what exactly they were interested in. Regardless of interpretation, the government would ultimately determine the meaning and implementation of the accord.

...the 1988 Amendments

In 1987, a national conference was organized in Guangzhou for government officials to discuss policy measures to create incentives for urban redevelopment to be the main contributor to economic growth. It was proposed that land should be tradeable on the market place for private and foreign investors to access. The Chinese government's ownership of land-use rights made the creation of a land market easy at the local scale because decentralized political authority made local governments the controllers of their land-use market. Local government institutions perceived a land-use marketplace as an opportunity to benefit their local jurisdiction by raising local revenues, undergo urban revitalization, sustaining economic growth in high density populated regions. Furthermore, local government officials would follow the prioritization of urban revitalization coupled with economic growth.

The following year in 1988, The National People's Congress (NPC) made a Constitutional Amendment that specified land-use management. These revisions would cite an important provision that establishes a presence for the private sector to be a component in the new market for urban land. An addition to article 11 of the Constitution states, "The State permits the private sector of the economy to exist and develop within the limits prescribed by law. The private sector of the economy is a complement to the socialist public economy. The State protects the lawful rights and interests of the private sector of the economy, and exercises guidance, supervision, and control over the private sector of the economy" (Article 11, 1988 Amendments). The entry of the private sector is a radical change in the marketplace of the Chinese economy, and allow land to regain its economic significance that could generate rent

The following amendment authorizes the transfer of land to be permitted by law. The fourth paragraph of Article 10 previously reads, "no organization or individual may appropriate,

buy, sell or lease land or otherwise engage in the transfer of land by unlawful means” has been revised to, “no organization or individual may appropriate, buy, sell or otherwise engage in the transfer of land by unlawful means. The right to the use of land may be transferred according to law” (Article 10, 1988 Amendments). This gives local governments the ability to delegate land-use rights because they own the land. The two constitutional amendments work together by creating a private marketplace of land-use permits. Private sector firms can purchase land-use rights from the local Chinese government, and redevelop the purchased space. Transitioning towards a system that authorizes the transfer of state owned land-use rights to private firms make the government capable of facilitating the revitalization of property that was previously built and owned by the state. Designating redevelopment to the private sector allowed the government to redevelop greater amounts of territory and leverage the land-use fees to be reinvested into the region.

Both amendments were implemented at a crucial period in Shanghai’s history. The city had neglected infrastructure investment during the Mao-era, and was in desperation to undergo urban revitalization. City and district governments of Shanghai had exclusive land ownership rights in urban Shanghai that could be used to achieve growth expectations of the central government by investing into the city’s development. Government owned residencies that were previously allocated under the welfare system had deteriorated over their prolonged use without satisfactory investment into basic repairs and modern upgrades. The 1988 Constitutional Amendments is a product of the Reform and Opening because it allowed access of the Shanghai land markets for private firms. Still, the ambiguity of current occupant’s property rights of the these old-welfare housing options were still not clearly described. This made land acquisitions by private developers quite easy through the local-governments assistance. However, this action

also had the potential to destroy the lifestyles of occupants who by lived in these dwellings for many generations.

State Decision Making Apparatus

China is structured under a unitary state that supports the central government to exercise their authority over subordinate local authorities and administrative divisions. Out of 34 provincial-administrative units in China, each would follow explicit goals and targets set by the central government. Each province further divided into municipal, county, city, and district level forms of political representation. The officials that comprise these levels of government are the entire elected body for the National People's Congress (NPC), also referred to as the Standing Committee of the NPC. Serving on the Standing Committee empowers the body of elected officials to make amendments to the constitution. This is a vital component of state power that will later become more obvious as it pertains to land management provisions in the 1982 version of the Chinese Constitution.

The State Council, earlier referred to as the Central Government, is the executive body of state power, and the highest order of state administration. The council is composed of the Premier and Vice Premier, who act as heads of state. Both leaders are responsible for managing the leaders of Ministerial divisions of the state. Ministries that provide services towards different administrative responsibilities, like the state department in the United States. According to the constitution, it is the duty of the Premier to exercise "unified leadership over the work of the Ministries to direct administrative work of a national character" (Ch. 3 Art 89). Ministries are established at the different levels of the Chinese political system in China. For example, provincial, county, and city Ministries would all correspond to the Minister leaders located in Beijing. This reflects political de-concentration of decision making power to make local

governments the main political institution involved in the overall direction of development. Still, the State Council remained somewhat involved by broadly directing local governments to create their own guidelines and interpretations of national policy.

The two most influential Ministerial offices for urban redevelopment is the 1) Ministry of Land and Natural Resources and 2) Ministry of Construction, Demolition, and Relocation. Each Ministry was responsible for the regulation, management, and preservation of land in a city that wanted to prioritize redevelopment. The Ministry of Land and Natural Resources directs land-use decisions by a connected network of provincial, city, and district land administration offices. Each decision was connected to the prioritization of economic growth. Accomplishing this broad goal meant selling land use titles to private developers that intended to put land to higher valued uses. In this arrangement, the Ministry of Land and Natural Resources used their ownership of land to private developers to generate a source of local revenue that would promote urban revitalization.

The Ministry of Construction oversees the regulation of actual construction activities that are performed for urban development. Construction projects were required to follow a bureaucratic process of building, demolition and relocation offices at the local level in which the projects were proposed. Generally, ministry offices should help guide the planning and construction of projects, establish national standards for construction, lead construction activity regulating the construction market, and manage the housing and real-estate industry. The Building, Demolition and Relocation Ministries were all under the supervision of the Ministry of Construction, and were often merged at the county, city, and district levels of land administration. Their main responsibility was issuing demolition permits to private developers, and find future housing accommodations for the evicted resident.

This arrangement poses a serious conflict of interests for the Ministry of Construction and the Land Administration. The Land Administration is looking to generate revenue by leasing land-use rights of current resident housing. Whereas, Construction Ministries are tasked with reaching out to residents to confirm their willingness to forgo their occupation of the household so it can be demolished. These two ministries could leverage their institutional power over the process of urban renewal to expedite the planning process of construction without actively involving residents.

Since these Ministries are all interconnected in the Chinese bureaucracy, it appears the process favors the state and private interests. As Deborah Davis points out, “[this] marked the point at which the central government fully legitimization privatization of this former public good on a nationwide scale and thereby commodified rights of transfer or alienation” (Shao 9). The alienation that Davis references is connected to the social deadweight loss that is inflicted on Chinese society due to the questionable land acquisitions that are being made by the Chinese government and private developers.

Land use rights are defined as the individual’s right to use, transfer, lease, mortgage, and enjoy revenue from the appropriated land. These rights are limited to improvements on the land because the government retained control of the land. Nonetheless, full payment of the land use price granted the private developer to invest capital into buildings on state-owned land. However, these land-use acquisitions by the private sector was a relatively new concept in the land market. To make matters more complicated, land-use rights were sold to developers that homeowners believed to have ownership of. This made ownerships rights to be difficult defining, and allowed the local Shanghai government to use that to their advantage as when initiating a private real-estate market to spark redevelopment.

Introduction to Chaqian: “Demolition and Relocation”

Demolition and Relocation, referred to as ‘*Chai Qian*’ in Chinese, was a model that advocated for urban redevelopment in older parts of the city. This process was conceptualized during the 1980’s once Deng Xiaoping launched market reforms and reshaped the Chinese Constitution. The renewal process led to the demolition of existing structures to make room for new projects that could generate higher values from its use. Former state-welfare housing was one of the programs main targets because of the state of disrepair they were in, and the lack of new revenue streams being earned from the building. An example of these welfare accommodations were the *Li-long*’s that are iconic to Shanghai’s history. Despite the cultural significance of these residencies, they were being subjected to demolition. As mentioned before, the physical quality of urban housing in Shanghai had become obsolete and needed to be upgraded. For this reason, the Shanghai government aggressively pursued redevelopment projects across the city.

Urban renewal (*jiuqu gaizao*), was framed by the government as a not-for profit project to improve standards of living in Shanghai. At the time, Shanghai residents lived in poor housing conditions. The average living space per person in Shanghai was quite low because family units of multiple generations lived in the same quarters. In addition, these households lacked sanitary facilities, such as, access to clean water and modern sewage systems. These two characteristics of the housing stock indicated that Shanghai must address this situation. In 1989, the United Nations advocated for a Habitat Goal across the developing world. This goal pressured countries that needed urgent action to improve the living conditions of more than one billion people who live without adequate shelter and sanitation. Shanghai would adopt this standard to improve housing conditions and provide more space for residents in the city. This seems like a good

stance for the Shanghai to take because it addresses the UN Habitat Goal to improve urban residents housing conditions. However, the marketization of land and housing made it easy for local governments to manipulate their interpretation of improving housing conditions. In practice, the program played out as a for profit real estate venture that would get remove the city slums and build expensive housing options. This would eventually impact the lifestyles of families and residents who lived in the homes targeted for demolition because their future housing options were undetermined. Occupants were also unsure if they would be able move back to their homes in the city or find alternative housing arrangements.

Housing redevelopment was now ascending towards the center of political dispute in Shanghai because of the institutional relationship between private real-estate developers and the city government. The Shanghai government was beginning to incorporate the private sector with their local development goals. Commercial real estate was now a tool that government officials could capitalize. Specific projects produced by the developers that purchased land-use rights begun by demolishing existing structures on the plot of land they purchased the use rights from. In accordance with the UN-Habitat goal, old-alleyway style housing was supposed to be replaced with modern apartment-style complexes. This mechanism became one of the most powerful engines of national growth for China, and local economic development of Shanghai. However, the economy was growing faster than regulatory systems could be implemented to protect the interests of occupants in the buildings that would soon be demolished.

In 1991, the Shanghai government released a document that made an effort to administer regulations on urban housing demolition and relocation. This document intended to facilitate a smooth transition of urban redevelopment, and prevent any local conflicts from arising. However, the document authorized the municipal level of government to control the allocation of

urban land to private developers and foreign direct investment. This emphasizes the position local officials were in. They had to balance between contributing to national economic growth agendas and interests of Shanghai constituents. Ultimately, this process completely transformed the physical and social construction of the city through public-private collusion against native Shanghai residents.

During this transition, one could argue that occupants of older homes are not gaining any real benefits that were being obtained by local governments and private developers. When a housing complex was targeted for demolition, the local government nor the private developer were required to inform residents that these actions would take place in the future. Until a final decision, residents would be informed that they must be evicted. At this point in time, residents were usually persuaded to accept different types of compensation for their willingness to cooperate. These were either being relocated to housing options in the suburbs or a cash settlement.

This process was conducted by the Building, Demolition, and Relocation offices that are subordinate to the Ministry of Construction. There are two problems with this type of compensation, and the institutional organization of decision making power. First, relocation to the suburbs required a family or individual to completely up-root the lifestyles they have made in the city. In some circumstances, families had occupied the same home for multiple generations. This made accepting the fate of demolition and relocation hard to do. Second, cash settlements were determined by evaluations of their original homes that were conducted by government officials. Government's quantifying compensation packages led residents to believe their evaluations were corrupted to decrease resident payout. Therefore, based on what residents were forced to endure, they were not fairly compensated. This can be described as a form of domicile

which is defined by Porteous and Smith (2001), “the murderer of the home, and the planned, deliberate destruction of the home which inflicts suffering to the dweller.” In this circumstance, older residents of Shanghai are sacrificing their homes for the benefit of economic development, urbanization, and improved infrastructure. None of which could be enjoyed after they were evicted.

The Shanghai Bylaws

The Shanghai government at municipal and district levels became the primary institutions that operated the direction of land management. The central government retained their authority by setting expectations of the land-use sales made and the image that Shanghai should portray. As the Reform and Opening started to yield significant results wherein southern parts of China were defined as Special economic zones, Shanghai started to reposition itself in the Chinese urban hierarchy once Jiang Zemin and Zhu Rongji were assigned to work as political officials in the region. Jiang Zemin (1985) became mayor of Shanghai, and later became party secretary (1987) once Zhu Rongji replaced his position as mayor. Zhu was celebrated for focusing his administration on improvements in telecommunications, urban construction, and transportation, especially in Pudong [a designated special economic region for development]. Both officials were well respected bureaucrats who accumulated political capital, which would help return Shanghai to the forefront of economic development in mainland China, and reinforce the city's presence across transnational borders.

Presenting a modern required Shanghai to redevelop housing that lacked investment. The decentralized political system allowed city officials to develop parts of the city without needing approval from the central government. This was expanded by city officials delegating these tasks

to district officials in Shanghai, and prevented bureaucratic slowdown of any urban project. The renewal process included an overhaul and improvement in the quality of the housing stock.

Without having to gain approval from higher levels of government, district governments could bypass the central government bureaucracy that might hinder local-economic development interests. The highly localized decision making environment led to various local amendments and interpretations of the central government's development policy. These additional provisions further exacerbated non-transparent relationships among the institutions that dictate how the urban space of Shanghai should be developed.

The 1991 Shanghai Bylaws on Urban Housing Demolition and Relocation Management was a constructed framework to incorporate the central government's anticipated decade of rapid redevelopment of the old housing stock and large-scale relocation into a local context. These local laws were meant to rearticulate the new state-market relationship and attempt to include Shanghai resident's stance in this new system. According to Article 16, "The People's Government can organize and coordinate demolition and relocation" (Shanghai 1991 Bylaws, Article 16). 'Organize and coordinate' leaves ambiguity that ultimately could weaken opposition to government involvement in demolition efforts that would be carried out by private developers. Furthermore, neither this document or any other has explicitly discussed the property rights of residents who lived in dwellings that were targeted for demolition.

The early phase of urban redevelopment was posed to Shanghai residents that inhabited 'damaged' property as an opportunity to enhance their quality of life. Living conditions were substandard in Shanghai because of overpopulation and lack of sufficient public amenities. Therefore, the government tried to create an incentive for residents to relocate that would make a much smoother transition. The suburbs would offer more floor space, and live in a better quality

house that was just built. The bylaws reveal that there would be two types of relocation packages offered by the local government. Article 51 states, “people to remain within the inner city and those that moved them to the city outskirts, and quantified the commensurate floor area requirements before and after relocation” (Shanghai 1991 Bylaws, Article 51). This provision gave residents a choice that would decide their future living outcome. However, the government was able to steer most resident’s decision away from returning to the original site because of the Shanghai government’s intent to use the new properties in high valued uses.

If residents requested to return to their original home after reconstruction, they were required to purchase the new housing built on the original land site. This was a highly debated outcome because the housing options that replaced original homes were unaffordable in the market for affected residents. This type of housing option was a transition from the previous system of housing established by the Mao-regime. Housing was becoming an asset that could generate revenue for the local government and private developer. As a result, the value of the properties that were redeveloped soared, and soon became unaffordable for the evicted residents. Articles 49 address this problem by encouraging residents to accept the compensation package that involves relocating to the suburbs. “in the case of commodity housing development residents in general should move to the city’s outskirts” (Shanghai 1991 Bylaws, Article 49). However, this also materialized into an insufficient reimbursement for eviction because residents were coerced to accept the type of compensation chosen by the government. Additionally, suburban housing accommodations were roughly an hour or more outside Shanghai proper. After being forcibly evicted in some circumstances, residents were not able to return to the same sit, or even within close proximity, and instead be forced to move outside the city.

In 1993, another round of bylaws was initiated and showed the desire of the Shanghai government to further establish the foundations of a private housing market. The first article of this round of bylaws specifically stated that foreign and private capital should be attracted to the Shanghai to provide investment for these redevelopment projects. “in order to utilize foreign capital to develop and manage commodity houses for domestic buyers, and to accelerate the renewal pace in the city’s old areas” (Shanghai 1993 Bylaws, Article 1). This encouraged foreign and private firms to access Shanghai’s urban land and became formally incorporated in the process to revitalize the crumbling housing stock.

Shanghai was becoming more market oriented, and considered building capital as a good that could be sold through the market to expedite the process. For example, “In utilizing foreign capital, the sites needed by foreign developers for demolition and relocation should be incorporated in detail into each district government’s inner-city renewal plan; district government coordinates and sanctions in its renewal plan” (Shanghai 1993 Bylaws, Article 9). This legally bounded private and foreign firms to generate rent through the transformation and use of public land in the land-market. Now that it was clear rent could be earned, incentives were established between the city and district government, and the developer to sustain these activities in the Shanghai’s economic development plan.

This relationship allowed the interests of local government and private developers to supersede those of the Shanghai constituents. In 1995, the Shanghai City government formalized the 1993 provisional rules (1995 Rules). According to Mi Shih (2010), article 13 of the 1995 Rules became the most crucial codification of the Shanghai government involvement with urban residential relocation for private development. The article states, “The housing demolition generated by commodity housing development in which foreign capital invests it to be carried

out by the government in an organized and coordinated manner” (Shanghai 1995 Bylaws, Article 13). This gave the Shanghai government the power to facilitate the private and foreign interests of property redevelopment in the city in two different ways.

First, as private and foreign developers targeted a space for demolition, community residents were likely to be informed of potential relocation plans only after the land had been leased to the property developers. This gave the local population no chance of collectively mobilizing against the interests of the government and private developer. Second, the government was able to protect the private and foreign real-estate developers by being responsible for evicting and relocating residents. This prevented the developers from encountering the residents whose property they ultimately had legal access too. In this arrangement, the district government would contract eviction and relocation responsibilities to the municipal or district demolition office. Thus, district governments would could legally create a system of integrating the private sector into local redevelopment practices at the cost of local resident’s lifestyles.

Chapter 2: The Shanghai State-led Growth Coalition and Rent-seeking

Introduction

Several national and local constitutional amendments altered property rules that served primarily benefit the Shanghai government and private institutions involved in urban redevelopment. The “urban growth regime” describes the common interests between government officials and private sector institutions. Both played a significant, but, different roles in the redevelopment process of Shanghai. The Shanghai government passed local bylaws that initiated a private land market, and developed a framework for city-wide renewal. From the perspective of the local government, selling land use rights of state owned urban land was used as a mode to increase locally earned revenue, and address physical redevelopment of the city. In addition, the land market would attract private capital investments from developing agencies towards the city’s housing market. This allowed the Shanghai growth regime to control all aspects of the redevelopment process in the city. The government wrote the laws and framework that would facilitate the inclusion of private investments made by developers.

The creation of a market for urban land led to Shanghai’s urban growth regime interest to earn rent from their participation. Local government's needed to follow growth expectations set by the central government, whereas, private developers wanted to increase their investment earnings. This characterizes the urban growth regime’s coexistence to rent seek in the established urban land market. Rent seeking describes the manipulation of public policy to increase profit. In Shanghai, the urban growth regime used rent seeking by promoting land use allocation to the private sector, launching redevelopment of the city, and yield profits off of these activities.

The first round of renewal [1990-2000] had the goal of transforming Shanghai’s image beyond the reputation it inherited during the Mao era. This meant the city must recycle urban land by demolishing old homes that have accumulated in Shanghai, and replace them with

buildings of higher valued use. However, these structures had the residents who occupied the space and believed to have ownership of their property. Ultimately, this process would affect residents in some capacity. This chapter explores the urban growth regime's process, and how they were able to facilitate urban redevelopment by using demolition and relocation to expedite the overhaul of urban property and the native populations in the city. To enhance the visualization of this process, the development of *Xintiandi* during the first round of renewal will be used as a case study. *Xintiandi* was built as an affluent neighborhood that offers shopping, food, and entertainment. The neighborhood is unique because it offers modern consumption amenities through repurposing of old Shikumen alleyway-style "*Lilong*" residences. This provide a good example of showing the Shanghai government's initiative to redevelop property by putting urban land to higher valued uses. During the construction of these facilities, occupying residents of the Shikumen homes were forcibly evicted. These evicted residents were offered government sponsored compensation, but were forced to endure unfair treatment from the urban growth regime in the process. It is clear there was a lack of a regulatory framework to oversee this process, and resulted in a city wide social cost that was borne by the evicted residents. In other words, the urban growth regime prioritized their interests over those of residents.

First Round of Renewal (1990-2000)

The first round of urban renewal in Shanghai established three sub goals. First, the Shanghai government wanted to clear neighborhoods with inadequate housing environments. In Shanghai, the average living space per person was quite low because families would economize on space by sharing one room apartments. From a public policy perspective, urban population increases coincided with minimal housing investments to improve residential facilities. In

addition, these same households offered limited sanitary facilities and experienced severe physical degradation. Under these present housing conditions, the Chinese government invoked providing ‘appropriate housing for all’ that was established at the UN Conference on Human settlements. This conference sought urgent action on a global scale to improve the living conditions of the “billions of people that live without sufficient shelter and sanitation in the developing world” (“Second United Nations Conference on Human Settlements”). Therefore, urban populations that lived in Shanghai had an opportunity to enhance their quality of life by letting the urban growth regime to redevelop these parts of the city.

The second purpose of the first round of renewal specified a system to compensate affected residents. Relocation to Shanghai suburbs was proposed to urban populations to enhance their quality of life. Their existing home in the city would be demolished, but receive compensation with housing in the urban periphery. Suburban homes provided more open space and offered better facilities. In comparison to depreciated homes in Shanghai, this could be interpreted as a chance to enhance occupant’s quality of life. However, residents were not given a real choice in this decision. When residents were offered compensation, it was likely that development plans had already begun and would not stop. Therefore, if residents wanted to stay in their home, they were unable to negotiate an alternative deal. This eventually prolonged the development process and prevented families from being fairly compensated. Since the development process would continue without resident’s approval or compensation, affected tenants would be left homeless and without adequate compensation. This poses a clear threat for the native residents and families that have lived in the city for many generations, and the lifestyles they were able to foster.

Once neighborhoods were identified for redevelopment, the Shanghai government would auction urban land to private developers. The use of private developers in this process reflects the third goal of the first round of renewal. Shanghai wanted to increase their comparative advantage to other prominent Chinese cities by putting land to higher valued uses. Fiscal decentralization enhanced local government financial autonomy, and made the Shanghai government reliant on land use fees sold to private developers as a significant portion of the government's revenue. In this arrangement, the private sector provided the capital for redevelopment, and the local government would facilitate their activities. However, the local government did not establish a clear regulatory for this process, and caused the joint interests of the urban growth regime to rent seek. This activity of the urban growth regime ultimately came at the expense of local communities use value.

The Shanghai city government launched the first round of renewal by proposing the 'Shanghai 365 plan.' This program set a threshold of redeveloping 365 hectares (3.56 million square meters) of housing defined as 'slums' and potentially dangerous housing by 2000. To help accelerate this program, the Shanghai government delegated district authorities to complete projects in each jurisdiction. This helped limit the political process of approving development plans across different scales of government. Additional factors that helped accelerate development projects were the ambiguity of resident's property rights and public ownership of land in China. Aside from the government's support to allow city-wide urban renewal, private developers were needed to investment capital and engage in the construction of proposed development plans. In order to involve developers in these projects, "fast-track planning approvals, building density bonuses, reduced land acquisition and administrative costs, and even reduced land use costs in locations that were regarded to have less inherent profit potential" (Xu,

2004). These incentives that were offered by the Shanghai government influenced a rise in development agencies that would be willing to undertake projects for the Shanghai 365 program. For instance, “by 1995, around 2,600 development companies were registered in Shanghai” (Wang 57). This created a pro-growth business environment between developing agents and Shanghai’s city and district governments.

By 2000, the 365 Plan yielded massive results that led to the program’s intended goal. According to numbers released by the Shanghai city government, 28 million square meters of old lane ‘*lilong*’ housing was demolished, and was replaced with more than 157 square meters of newly constructed housing city wide (*Shanghai City Government*). This result is juxtaposed to 640,000 households being forcibly evicted and relocated to the suburbs because their homes were demolished. The evicted occupants could not afford the increased price of land in Shanghai after development, which gave residents no other choice but to move to the suburbs or risk missing out on compensation. This poses a social consequence for the residents that were forced to move to the suburbs, and limited their protection of lifestyle interests. This puts into question the actual intentions of these projects.

Urban renewal (*Jiuqu Gaizao* in Chinese) was perceived as a government sponsored not for profit to improve standards of living of urban residents. However, this process played out as a for profit real-estate scheme that involved demolishing homes that were considered ‘slums’ and put those urban locations to higher valued use. Under this system, residents had little choice in the final decisions of such renewal projects because of the institutional dominance of the Shanghai urban growth regime to rent seek. After these events happened, it was difficult for residents to individually or collectively protest because the urban growth regime’s institutional power was too much to overcome. Furthermore, China had an insufficient legal system that

would protect civil society in an era when economic growth and city revitalization was prioritized over everything else.

Setting the stage for rent seeking

The weak institutional definition and interpretation of resident's property rights in Shanghai created a platform for the urban growth regime to rent seek. Rent-seeking involves the acquisition and retention of a monopoly on a finite resource, such as urban land. The owner of a finite resource enables them to divert resources to obtain a surplus of rent. For instance, the Shanghai government had a monopoly on urban land because all land was owned by the state. This authorized the Shanghai government's control of this resource, and could find mechanisms to increase urban land values and collect the rent surplus. Rent seeking became a major factor in the development of the East Asian region in the 1980s, and was established through a series of macroeconomic policies promoted by global economic institutions, such as, the World Bank and the International Monetary Fund. There were three key policies advocated by these institutions to implement in the developing world: privatization, market liberalization, and attraction of foreign direct investment. Each key policy helped propel the use of rent seeking in Shanghai by the urban growth regime.

Transitioning away from state planning provided a point of entry for the emergence of the private sector to generate rent. In comparison with state planned economies, the private sector often does things more efficiently than government intervention. This is due to the interest to An effective market economy requires pre-conditions before rapid privatization contributes to a region's economic growth. This means a government institution must provide a framework for the market to follow. Without one, the market will grow out of control and exclude portions of civil society.

Another tactic for market economy nations to prevent exclusivity in the private sector is the government filling in the gaps that the market may miss (i.e. programs that concern with providing social welfare and public goods). However, the government protecting social concerns in that are frequently ignored by the private sector to complete urban renewal projects is unlikely because of the stake they have in the project's completion. The Shanghai government put forth a goal of the first round of renewal and already created favorable conditions for the private sector's involvement. Therefore, it would not be in the Shanghai government's best interest to fill the gap that the private sector excludes (i.e. social equity) during the process of urban renewal. As privatization of an economy yields higher growth, there will be less desire to implement a regulatory framework because it might inhibit future levels of growth. This shows the government's incentive to sustain capital flows that are being injected into their economy. There is belief that privatization will reduce the rent seeking activity of government officials. However, if the government is already corrupt, then this may lead to rent seeking activity across public and private sectors to preserve the rents that are being earned.

Second, economic liberalization targeted the removal of government intervention in financial markets, capital markets, and barrier to trade. Economic liberalization directs national economies to allow entry of private firms and investments made in specific places. Liberalization policies were promoted throughout the developing world to enhance their economic output. However, weak public institutional regulation of economic liberalization can lead to severe social instability. Economic liberalization dictates the type of development investments made towards a nation. The investor will likely seek to maximize interest or capital gains on their principal investment. This leads to profit being the main motive of the investment instead of considering how the investment can benefit all of society. The frequency of investments reflects

an outlook that economic gains that investor hopes to achieve. These type of investments restricts the social outlook of the investment, and will deter from any social equity considerations.

Lastly, foreign direct investment provides capital to developing countries that are capital illiquid to sponsor economic development. In Shanghai, private developers sought to purchase land use rights from the Shanghai government. Redeveloping the sites of purchased land use rights contribute to a spillover effect in the city that makes land more valuable than before. This will increase their return on their original investment toward the city. Since these economic decisions are made to increase returns, the investments by these firms do not consider the concerns of local populations. Instead of protecting populations from the dominating interests of these foreign firms, government regulators provide investors with special privileges that create a less regulated private sector. Essentially, the investments that are made foreign firms are shaping the lives of local populations with their rent seeking motives that are facilitated by the government. Each of these corresponding external factors that all take place in Shanghai and lead to rent seeking in the emerging land market.

Rent seeking activity targets the creation, maintenance, or changing of the rights and institutions on which rents are based. Rent is the actual incomes that have been earned through the exchange and use values of resources with a fixed supply. Urban land is a natural resource that gives rise to rent seeking because of the finite amount of urban space that exists in a city. In Shanghai, rent seeking was used for urban revitalization efforts by putting urban land to more valuable uses. Incentives are made for the public and private institutions that are involved in rent seeking to sustain the creation and capture of land rents. However, this arrangement gives rise to the transgression of formal rules that govern the allocation of public resources by government

officials. For example, private sector institutions lobby for preferential treatment to obtain the use rights of land. This leads to illegitimate political activity and speculative behavior of the desired use of urban land. It is important to define and describe the different varieties of rent seeking behavior and how it relates to Shanghai's urban revitalization.

Rent Seeking

David Smiley (2010) identifies and develops five modes of rent seeking activity that can be projected onto a fixed supply of natural resources. These different interpretations eventually cause lost opportunities for the productive use of the natural resources that contributes a deadweight loss to society. First, *coercive* rent seeking explores historical property rights as initial endowments. This creates a territorial conflict based on institutions and individual's different perceptions of endowments on land ownership. The confusion between different interpretations will take those with institutional power to exploit the use and exchange of the natural resource. In China, the government's ownership of urban land is considered as an initial endowment. Second, *competitive* rent relates to the political lobbying of government for access to the right to use and exchange the targeted natural resource. The agents lobbying for government approval will want to sustain the earned rent from their use of land. For example, the Shanghai government created incentives for private developers to develop portions of the city. This creates competition among developers to gain access to urban land-use rights. The first and second examples, triggers the third type of rent seeking—*passive* rent seeking. As a result, the endowments of land are being transferred from society to the rentier (i.e. The private developer). This makes the private developers the agent who is earning income on these acquisitions of natural resources. Murrell and Olson (1991) both describe this as collusion between public and

private institutions. This can have a profound effect in market economies that prevent dictated by central governing body.

Fourth, *structural* rent seeking forges a new understanding of property rights systems. For example, urban property in Shanghai has become a product attributes of the Reform and Opening. Instead of being integrated into one's wage-labor, property was now a private good. Lastly, *resources depletion* rent seeking describes the exhaustion or degradation of the resource. This problem exhibits a divergence of the objectives between the individual and collective. If their interests are not aligned, then the use of the natural resources for the purpose of earning rent will be prioritized over the right society has to also obtain benefits from the resource. Resource depletion rent seeking applies to the demolition of native occupant housing, which is then replaced with housing options suited for more affluent populations. The depletion of housing accommodations for evicted residents has become irrelevant in Shanghai, and forced this population to find housing elsewhere.

In Shanghai, urban land was the specific natural resource that was being subjected to rent seeking. Political and economic decentralization allowed local governments to control the management of surfacing land markets to coordinate land development. The market orientation of land in the Chinese economy caused the purchasing of land use titles a competition for developing firms. This makes the prospect of the earned rent from the resources highly desirable. Therefore, the capture of revenue from rent seeking has given private developers a clear incentive to purchase land use titles and develop the land. In this circumstance, the Chinese government has retained ownership of urban land, and used their initial endowment to control who is getting rights to develop and what will the land be used for. This has explicitly made land an economic asset for the local government and private developer to earn rent. Jieming Zhu

states, this has caused “China’s local governments to become an economic interest group with their own policy agenda” (Zhu 695). This influenced Shanghai’s development policy by focusing on the rents that can be collected for the municipality by contracting out redevelopment activities to private entities. This has aligned incentives for both the government and private developer to use, exchange, and develop urban land. Without a clear economic incentive to direct land management activities to be more inclusive, this aspect of city development is often left out and leads to a deadweight loss. In order to fully understand the social loss that occurs because of rent seeking, it is important to distinguish the institutional foundation of local government and private interests in context with city development.

The Urban Regime and Growth Machines

China’s market reforms and institutional arrangement of land uses created the infrastructure for different actors to collectively support Shanghai’s overall growth. These different actors are described by Karen Mossberger as the *urban regime*. The urban regime are arrangements through informal and formal modes of collaboration between the public and private sectors. This fragmentation of government authority allows business interests to intersect with public policy. With that in mind, China’s political decentralization policies created competition for cities and other local regions to maintain growth by attracting investment. Paul Peterson, author of *City Limits* (1981), argues that “city policy was driven by competitive needs for economic growth, and that development was in the interest of the city as a whole” (Peterson, 1981). This evidence validates the Shanghai government’s use of private developers to achieve economic growth for public interest.

A counterclaim to Peterson is the government and business sectors inability to incorporate social equity and sustain growth. Local bureaucratic and business agendas tend to

prioritize the benefits of growth from their perspective over social redistributive policies. For example, the Shanghai local government had the goal of revitalizing the city through a massive building spree by selling land use permits to private developers. The private developer would demolish older portions of the city and erect modern buildings to symbolize a new era in Shanghai. These new buildings are used for improved housing options or commercial property in order to attract foreign and private firms towards the city to conduct business. Under this arrangement, urban growth regime achieve their motive, but do not account for the interests the residents who were evicted from their homes. These residents excluded from the benefits of development that allegedly have the interests of the city as a whole.

Applying social equity concerns to the urban growth regime's framework can capture a higher proportion of the population to gain more economic benefits that are being created. Social movements and popular causes may be integrated into political action based on the framing of these different problems, and the willingness for constituents to mobilize. Still, as Mossberger finds, "Politics is bounded by the economic relations of the capitalist system" (Mossberger 42). Since Shanghai's land markets have only recently been established, their weak institutional quality and lack of regulation creates external effects on residents that are excluded from the urban regime. The urban 'Shanghai' regime is focused on the pursuit of use and exchange values of property prices by determining land being put to higher valued use. However, places in cities can signify values other than their economic value.

Places carry with them a preciousness outside of their conventional economic uses. Place facilitates the human activity that can occur in a city, which can allow an individual to be able to truly establish a connection with the place that they live. Humans cannot do without place by simply substituting it for an alternative product. Therefore, "the stakes involved in the

relationship to place can be high, reflecting all manner of material, spiritual, and psychological connections to land and buildings” (Logan and Molotch 18). The location of one's home in a particular place provides the individual the ability to attain certain social benefits. For instance, place can provide access to educational opportunities, social networks, and employment opportunities. Existing urban Shanghai populations have lived in the city for generations and have established a social presence in the space. This makes it challenging for these residents to move away from the city. The alternative attachment residents have to urban place must be accounted for to understand the loss Shanghai residents experienced through during the redevelopment era. Based on inherent benefits that can be obtained through one's desired placement, a collective of individuals and their interests begin to emerge. Unfortunately, the collective interests of these formed communities in cities can be subjected to potential threats by local political and economic institutions.

Varying degrees of influence dictates the relationships between the urban growth regime and residents in the city. Ideally, someone's choice of living will be in a space that suits them. In Shanghai, living quarters were previously established through social welfare systems of the work unit. This did not give residents much choice where they lived. But, it still gave them a space that was their own which attaches a much bigger emotional connection to fulfil life ambitions in that dwelling. Despite the intangible attachment to their homes, the first targeted urban spaces to be redeveloped were older dwellings that have been occupied by a single family for many generations. These occupants lacked clear documentation if their property ownership was valid from the government perspective. The diverged interests of the local Shanghai government and the occupants of welfare housing created city-wide conflict. As redevelopment activities began, property values increased and further incentivized the urban regime to sustain revitalization

which contributed to economic growth. This led to a higher social cost that was inflicted on society.

Private developers act as capitalist's to derive their own use values from urban place in different ways than residents. Their interests lie in using place to generate rent for their firm, which determines the different types of uses. Based on these varying uses that can be tied to place, the capitalist developers can have different attachments to certain places. First, capitalist developer's preeminent interests tend to be the profitability of their operation in their location. In this interpretation, developers chosen location depends how well land and buildings are serving their goal of generating rent. If the quantity of rent does not meet the expectation of the firm, they will seek alternative places. Second, capitalist developers have a greater ability to relocate if the original place ceases to be the most ideal location. Firms do not need to consider the restrictions that residents face while moving. For example, ties to family and friends, proximity to good schools and jobs. Therefore, developers can exit more easily. Lastly, capitalist developers use of place is less 'fragile' than that of residents. According to Logan and Molotch (1987), "Capital can adapt to changes such as noise, odor, and ethnic succession, whereas the effect of such change on residents is more immediate and more series" (Logan and Molotch 22). These three connections of place from the developer's perspective show their emotional attachment to place is much weaker overall, and can be easily manipulated by their objective to extract rent from the urban land.

The nature of capitalist's relationship to place clearly reflect the rent seeking desire for certain locations over others. This engenders different exchange values that can be earned from movement between places. On the other end, residents have very few substitutes for place and capitalists have the ability to access an abundant of different options of place depending on the

situation that they are in. Participants in place markets with the fewest alternatives (i.e. residents) are usually the most vulnerable because of the exchange values that can be earned from the utilization of place. Place and land are unique because suppliers cannot produce it from thin air because the amount of land that exists in a given place is fixed. Instead of increasing the supply, the suppliers have different use values for the different activities and productions that exist on land. This attributes a disproportionate amount of power of those who have control over the supply and distribution of land. This gives the land owner the ability to determine the conditions of its use, setting prices per unit, and determines who gets to use it.

In Shanghai, the local government was the landowner, and thereby contributes to their ability to dictate the future outcome of city development. Land owners can be viewed as ‘place entrepreneurs’ “by revamping the spatial organization of the city. Rent levels are based on the location of property vis-a-vis other places, on its particularity” (Logan and Molotch 24). As the local government pursues higher valued productions on land, this can lead to a spillover effect and generate an externality that will determine what other surrounding productions on land may be. This measure can result in an effect to an individual’s property holding and the exchange value they could earned by the landowner. Thus, land owners will try to adjust the contents of an occupant’s property.

Place entrepreneurs are the closely involved in the exchange of land that derives a collection of rent, and attract human activity to their particular sites. Logan and Molotch (1987) identify this entrepreneur as a ‘modern urban *rentier*,’ who has the ability to exchange land and earn the revenue in a real estate marketplace. The authors also define two types of contemporary place entrepreneurs that each have different relationships to place and rent that can be generated. First, the private developer in Shanghai acts as an *active entrepreneur*. They expect future

changes in use values of place, and speculate on the future of these particular spaces. The active entrepreneur accomplishes this by seeking rent from gaining control over prime locations that may likely become more profitable in the future. For instance, purchasing the land use rights from the Shanghai government. This gives them agency in the future development process of the place. Eventually, once their specific location is transitioning towards the path of redevelopment, the entrepreneurs will be able to capture the rent increase. Second, the Shanghai city government acts as the most important type of place entrepreneurs—*structural* speculators. This entrepreneurial activity speculates on their ability to determine the patterns through which others will seek use values from place. Their strategy is to change the institutional conditions that structure the land market. For example, the Central and Shanghai government's passed constitutional laws and to stimulate private developers to put land to higher valued use. When these types of entrepreneurial activities work together, neighborhood and city dynamics are affected by reorienting the layout of the physical space.

The Shanghai bureaucratic leadership have been exploring new ways to encourage local economic development. Shanghai could no longer rely upon the financial support of the central government to invest in certain projects because fiscal reforms enhanced local government's financial autonomy. This has forced urban governments to conduct themselves outside the normal boundaries of what local government institutions usually have done. They have been adopting pro-growth policies and becoming market-facilitating agents. This has led urban governments to create a growth based coalition between representatives that all help contribute to extract economic benefits through land use. David Harvey (1989) finds that the traditional managerial role of urban governance (i.e. providing welfare and other public services) has been lost. "Local government have become more like entrepreneurs' — by adopting a more pro-

business stance, taking a greater responsibility for local economic development and inheriting traits such as risk taking, inventiveness, and profit motivation” (Harvey 15). For instance, Shanghai authorities are the managers of urban land, and can lease land use rights to private developers to invest in urban revitalization projects. However, an underdeveloped land market in a newly established Chinese market economy does not address how social equity might be addressed through the prioritization of economic growth. Hall and Hubbard (1998) have described these schemes of governance by two basic features. “The political prioritization of local economic development rather than social distribution, and an associated institutional shift towards public-private partnerships” (Wang 53). Local governments acting as entrepreneurs will not consider social equity as a concern because it does not contribute to growth and put land to higher valued use. These shifts of political prioritization of the higher valued use of place have put cities like Shanghai into an urban cycle that is a growth machine.

The growth machine is an idea that was initially conceptualized by Molotch (1976) that describes a network of a pro-growth coalitions that seek interdependence between local government and business leaders by mobilizing resources to collect rent. For instance, collective action between public and private institutions create conditions that intensify future land use. Urban land in Shanghai is becoming a good that can be exchanged through the emerging market economy. Even though market forces are beginning to take over, local government are still a powerful facilitator of growth. The local government collaborates with private sectors shows their overall interest of showing economic performance to the central government. This has been used as a tool for local government to achieve political legitimacy by showing that higher level government officials that they can contribute to long term economic growth. In this way, the Chinese local government makes itself a facilitator and participant of urban growth. However,

these market forces are new and operate under immature conditions that create intense conflicts on urban society.

Xintiandi — creating a model for urban renewal

Xintiandi is a two block area in downtown Shanghai that is a part of the *Luwan* district, and connected to the much larger *Taipingqiao* district. This part of the city enjoys cultural spillovers from the adjacent *Huaihai* Road. Shanghai residents consider Huaihai road, the most “culturally sophisticated” because it was previously a part of the French Concession, and symbolizes the city’s colonial past that features persevered settlements, buildings, and landscapes. The reform era allowed this part of the city to leverage its urban aesthetics to external businesses that wanted to use its location as a place to conduct business. Dozens of fortune 500 companies, established Chinese companies, and international businesses all flocked this central Shanghai district. This has caused, real estate development to become a majority of the Luwan District economic expansion and generate revenue for the city. For example, the real estate market in Luwan District has grown consistently at 10 percent annually since the 1990s (Shao 93). In addition to building a central business district in Shanghai, there were plans to reshape residential accommodations and create modern entertainment facilities that could expand the development of amenities offered in the city

Before these new urban amenities could be built, older parts of the city had to be demolished. Inside the French Concession were alleyway *lilong* style homes that were occupied by predominantly low and middle income residents. The architecture of these homes symbolize the historical lineage of Shanghai from the early 20th Century. *Lilong* residencies had mixed uses other than housing. There was a combination of commercial, educational, and a residential culture that surrounded the community life in these alleyway neighborhoods. Despite the cultural

significance of the homes, their quality had depreciated since the Mao-era and needed to be rebuilt. In December 1996, the Luwan District government was assisted by Shui On Land Ltd (a Hong Kong based real estate development firm) to create a Taipingqiao area urban development plan. The idea behind the project was to “gentrify” the area into a mix of high-end commercial, residential, entertainment facilities, and use the methodology as a flagship project that could be replicated across China. In addition, this project assisted Shanghai’s identity as a global city to return, and move beyond the city decay from the Mao-era.

Shui On Land Ltd. belongs to the parent property company Shui On Group, Hong Kong. The company’s founder, CEO, and chairman is Vincent Lo— referred as “Mr. Shanghai” because of his immense wealth, and one of the earliest developers to be involved with the private real estate market in Shanghai. In a 2007 CNN interview, Lo describes the importance of connections with party leaders in China to further his business interests. According to Lo, “The rule of law in China is not as strong as in the west so a lot would rely on personal relationships. Because China is one party rule, so if you work with certain officials within a city when they move elsewhere they are actually bringing that relationship with them. And also other party members can always call up their comrades to check on you and that would be a very good reference” (CNN Interview). Lo had connections with Shanghai party officials at municipal and district levels. For example, Han Zheng, was previously the director of the Luwan District, and later appointed as Mayor of Shanghai in 2003. Zheng and Lo had a previous business relationship which may explain how Lo was given the right to complete the Xintiandi project. This exemplifies how connections within the urban growth regime creates reciprocal benefits across public and private sectors.

When the Taipingqiao development plan was introduced, an agreement was signed between Shui On and Luwan District government. This document leased Luwan District land use rights for the Taipingqiao project to Shui On. After the Municipal Planning Bureau approved the proposed plan, the Shanghai Housing and Land Management Bureau signed separate development contracts with subsidiary companies under the umbrella of Shui On. Each subsidiary company would be delegated a zone within Taipingqiao to develop. The area of Taipingqiao was broken up into lots because regulations prevented local governments from exceeding a land area transfer threshold to a single development agency. This was intended to prevent a single developer from monopolizing land use rights in an area. However, the Shui On company evaded this regulation by establishing different company names for construction contracts on each parcel of land in Taipingqiao.

For instance, on July 19th, 1997 land use rights of Lot 108 were sold by the Shanghai Municipal Housing and Land Management Bureau [party A]. The parcel's land use rights were transferred Landton Ltd. of Hong Kong and Fuxing Construction Development Company of Shanghai [party B]. Landton Ltd. is controlled by the parent company Shui On and Fuxing Construction operates alongside the Luwan District Housing Bureau. Based on the contract that was signed, "Landton Ltd. would contribute 98 percent of the capital for the development of Lot 108 and the Fuxing Construction Company would pay 2 percent" (Shao 98). The agreement specified Party A would transfer the land use rights of Lot 108 (an area of about 5,928 square meters) for a rental price of \$3,627,936. In addition, Party B would pay Party A a land use fees of one yuan per square meter. This established aligned investment interests between Landton Ltd. and Fuxing Construction. Both the developer and district government invested capital in the project, which helps protect the interests of Shui On by the district government. The 2 percent

capital investment the project by Fuxing Co. shows that the district would receive financial benefits from the project in perpetuity. As these deals were made, residents that inhabited the space were kept in the dark about this plan. Without residents knowing about the land transfers that occurred, their interests could not be incorporated alongside in the urban growth regime.

The relationship between the Luwan District and Shui On sheds light on the next step of project's process to be completed. This involved demolishing existing homes on the lot and relocating the residents outside of the city. Demolition and relocation was completed by a professional company that was contracted out by the district government. Fuxing Construction set up a subsidiary company named Wuxin Company, and would be tasked with completing demolition and relocation. This additional service provided by the district government shows that the district was willing to prioritize completion of the project over protecting the constituents who live in the space. The district government was inside the pockets of Shui On, and were only concerned with meeting the deadlines proposed for the completion of this project.

In 1991, China's State Council enacted an initial regulatory framework of demolition and relocation. The purpose was creating a systematic guideline to ensure a smooth process for urban development. Despite the intent of this framework, the 1991 regulations strengthened the authority of the urban growth regime to complete the renewal process. For example, item 15 of the 1991 document granted the Luwan District the ability to issue demolition permits without residents' consent. If the residents did not comply, the district could evict residents by force. Without needing resident's approval, the urban growth regime could act supporting only their interests. Residents, on the other hand, were met by a barrier of information asymmetries that prevented them from knowing the "back-room deals" that the Luwan District government made with Shui On.

However, if residents felt they were unfairly evicted, there was an opportunity to seek justice by appealing to the People's court, as stated in article 14 (Ren 1086). Residents could start by issuing a petition letter to the district and municipal levels of the People's Court. Petitioning was a mechanism designed to allow residents voice their discontent with the government. This platform was available to residents because it is believed in that the foundation of the state in a socialist society is the people, and their concerns must be attended to. Still, this system produced a marginal benefit to society based on the outcomes for these petitions. "A 2004 survey reports that of the 2,000 case studied, only three of them were resolved" (Shao 20). These cases of domicile were being handled in the district and municipalities that development disputes were located. Therefore, it was unlikely the legal apparatus would favor the interests of the affected residents over the urban growth regime. On a bigger scale, the central government would also unlikely intervene in local eviction conflicts because the economic benefits that arise at the local level outweigh the social cost. These highly localized conflicts distract from the poorly designed structure of the whole system. Rather than protecting the interests of constituents, the judicial system would favor the urban growth regime that is promoting economic growth through demolition, relocation, and redevelopment. Without a developed legal system, residents were unable to achieve the justice and compensation that they wanted.

Case Study: The He Family Shikumen

Lot 109 (330 Huangpi Nan Road), was the location of the *He* family home that was expected to remain in the family and never be up for sale or rent. The house was built in 1925 by *He Chujin*, who accumulated enough money to buy a parcel of land in Taipingqiao. The house that *He* built was a *shikumen* alleyway house that blended old and new styles of architecture. At

the time, the Shikumen that *He Chujin* built was considered the most modern because it offered quality sanitary facilities, large amounts of total floor space (three total floors), and built with durable materials such as brick, stone, and wood.

The *He* family house was eventually passed down to He Chujin's great-grandson—*He Yidong*. From the home's initial construction, the *He*'s traditional family Shikumen home depreciated. The deterioration of their home was due to the traumatic experiences that were endured by the Mao-regime. During Mao's rule, and more specifically, the height of the Cultural Revolution [1966-1976], CCP property seizures were common. Especially when homes that were perceived of such high quality like *He Chujin*'s Shikumen. This led to the Red Guards claiming "temporary" use of the *He*'s family home. The *He* family were able to continue to living in proximity of their original family home, but were still unsure if returning would ever be an option. After Mao's death in 1976, the government began correcting his radical policies. However, the *He*'s return to their original home did not occur until 1992, more than a quarter century after the initial seizure took place. After the family moved back, the District Housing Bureau issued a certificate proving the *He*'s owned their house. This was a rare circumstance because most Shanghai residents did not have a document showing their ownership of property. However, this document that the *He*'s received proved to be useless once the lot they lived in was targeted for urban renewal.

The degraded family Shikumen prompted the *He*'s to renovate the home. Before they invested any money, the family wanted to be certain their neighborhood was not a target for demolition. News had spread across Shanghai that municipal and district governments were seeking potential sites in the city to redevelop. The family inquired about this with the Luwan District housing bureau, and were reassured their home would not be harmed. Unfortunately, this

promise meant absolutely nothing, and turned into a lie. The *Luwan* District government went behind the backs of the *He* family and established a deal with Shui On. The district would lease the land use rights of lot 109 to Shui On. Demolition activities on the lot started in 1998, only one year after the *He* family completed renovating their family home. Once the deal was brokered, the district informed occupants on the lot that it was a target for urban renewal. The district government knew that their intentions was to promote commercial development on the lot but did not tell residents of their economically driven motives. Instead, they framed the project as for the public interest. This highly misleading statement would intensify the conflict that arose on this particular lot.

The *He*'s were the only family on Lot 109 that had full ownership of their home because of the title issued to them by the *Luwan* Housing Bureau. Still, this document did not protect them from the same result other families endured. In August 1998, the *He* family were sent a letter from Wuxin Co. (the demolition and relocation office) titled "Consultation on the Demolition and Relocation of Private Homes." This letter informed the *He* family must give up their ownership rights and their home would be demolished. The letter contained two compensation packages that the family would be entitled to choosing. The first was forfeiting their ownership rights for a cash settlement, "151,140 yuan for the houses 307 square meters" (Shao 110). The second option relocating the family to apartments in Shanghai's suburbs that was be priced at 2,350 yuan per square meter. The second option appeared to be the far weaker compensation package because the *He* family would have to pay an additional price of 323,788 to make up the difference of the value of the apartment in the suburbs.

Both offers did not interest the *He*'s because of their attachment to their home which had been in the family since the early 1900s. In addition, the *He*'s felt that their home was not being

valued properly because they had just invested 50,000 yuan renovating it and had proof of ownership. These factors bolstered the *He's* willingness to never surrender their house to the government unless they were fairly compensated. The family urged officials that they wanted to exchange their house for one that was nearby with full right of ownership. However, this was obviously not an option from the perspective of the Luwan District. From this point on, the *He's* resistance to demolition and relocation eventually caused the urban growth regime to exert institutional forces that could not be mitigated by the family, and eventually caused the *He's* being forcibly evicted from their home.

Wuxin Co. started applying more pressure on the family to leave because the entire project was stalled for roughly one year. The demolition team would visit the *He's* home and propose new compensation arrangements that could be made in the suburbs and offered higher cash settlements. These offers still did not meet the demands of the *He's* because they wanted to maintain their rights of ownership and stay in the close proximity of their original family home. This would not be acceptable for Wuxin Co., the Luwan District, Shui On, the Shanghai Municipality. Still, urban renewal regulations required a contract must be agreed on and signed by both parties—the *He's* and demolition office—for the process to proceed. Since the *He's* were not giving into the demands of the urban growth regime, demolition teams resulted to intimidation, threats, and violence to evict the *He's*. For example, demolition teams would cut off the *He's* access to utilities, and go as far as showing up to their home late at night and demand they speak with the head of house—He Yidong—by “handling him” or “teaching him a lesson” (Shao 111). At this point, the harassment of the family was crossing moral boundaries, and exceeded the family's endurance to keep fighting. Eventually, the *He's* left their home. Their eviction came after the Luwan District issued a “compulsory eviction notice” that stated the

family must relocate within a two-day period or be physically evicted from their home. In the end, the *He*'s accepted no compensation packages because as He Yidong said, "taking any payment will mean that we've accepted the eviction and renounced our ownership rights. But we can never do that" (Shao 115). Even though the family was evicted, this property dispute was not over and would continue to linger until the family believed they were adequately compensated.

After enduring the process of demolition and relocation, *He Yidong* took the family's case to the *Luwan* District Court so the conflict could be re-evaluated. The family believed the district ignored their ownership rights of their property, conducted illegal forms of intimidation to evict them from their house, and never signed a contract of consent with the district to agree on the terms of demolition and relocation. Three months of litigation later, the district court concluded there was no wrongdoing and the state acted in accordance with its own regulations. Instead, the court blamed the prolonged conflict on the family because they refused to move out on earlier notices. The district judge that made the decision had this to say to *He Yidong*, "he could never win the case and, moreover, that his family could no longer afford to live in that house anyway" (Shao 118). The space where their family home stood was being transformed into a high end commercial space that was outside the *He*'s price range. Once the Xintiandi project began to take shape, *He Yidong* understood what the judge inferring. The neighborhood where his great grandfather once lived was being transformed beyond the capacity of native populations of the city to afford.

However, the judges' comments and the defeat the district court handed *He Yidong* did not stop him from seeking justice from higher courts where local interests may not corrupt his legal case. *He Yidong* went to the Shanghai First Intermediate People's Court and the Higher People's Court who both denied his appeal. It was becoming clear how difficult it was to prove

the district government was at fault. These rules were unfair, but the government was the institution writing them which validated their actions. Moreover, any actions that residents took to resist demolition was interpreted as illegal activity. This prevented residents from being justly compensated and achieve justice for the questionable renewal framework that was standardized by the government.

After the *He* family lost several times in court, they were forced to relocate their family to the suburbs. This was a common form of compensation during the first round of renewal. However, what made the *He*'s case so interesting is that they rejected any government compensation and purchased the suburban house on their own accord. From their perspective, this allowed the family to remain hopeful that their case would be resolved and allow them to return to their family home. Nonetheless, the family had to adopt to a new suburban lifestyle that left them approximately twenty kilometers away from their original home. This prevented them from having easy access to higher quality amenities in Shanghai. For instance, the schools that were available in the suburbs were not comparable to the ones located in Shanghai proper. This forced to *He* family to purchase an additional apartment in Shanghai proper for his nuclear family (wife and son) to access a higher quality education for his son. The new house they purchased in Shanghai was a 12 square meter one-bedroom rental that they all shared. It did not come close to comparing to their family *Shikumen*. Still, it was located in the city and allowed the family to re-immense themselves in their normal lifestyles—despite all that has happened to them.

Three years after the *He* family was evicted, their property was kept mostly intact but was transformed as a restaurant named, *Xinjishi*—the New Lucky Gentleman in English. Since the *He*'s family home was a recently renovated *Shikumen*, it was able to fit the aesthetic of the

general architectural style of *Xintiandi*. Still, this begs the question of why did the government evict the He's on the basis that their house was going to be demolished? This shows the government's power to obtain properties from residents and use it for other purposes that were outside of the original development framework. In addition, since the *He* family home was recently renovated and retained its historic identity of being a traditional Shikumen home, which the private developer and commissioned architect did not want to waste.

Benjamin Wood was the architect credited for the success of *Xintiandi*. Wood was contracted by the Shui On to design the new commercial hub in Shanghai. Wood proposed an architectural development model known as, "adaptive-reuse." This was the process of reusing an old site that could be repurposed and preserve the building's original form. The re-purposed building would then be integrated into the modern development facility. These traditional alleyway *Shikumen* houses were quite common in "old-shanghai," and were close in relation to the older parts of the city where the French and International concessions were located. This historic architecture could not be wasted in the eyes of Wood.

The adaptive re-use model reflects an idea of place promotion as a mechanism for locational icons in postindustrial cities to stay competitive in a global economy and remain relevant for investment and consumption. These place icons, "are an attempt to stimulate characteristics and uses of other places; they are 'spatial metaphors' of other places in that they act as substitutes for the original referent or place" (Wai 249). The *Shikumen* is conceptualized as a style of building that fused together styles from the east and west during the 1920s onwards. Therefore, the *Xintiandi* project shows how historical nostalgia can generate commercial value and rent. In the modern era, these repurposed *Shikumen*'s are intended to imitate the dense network of alleyways of Shikumen neighborhoods that existed during the early 20th century.

However, the uses that of these buildings, that were once predominantly occupied by low to middle income Chinese merchants, are being used as upper-end retail establishments that are only truly enjoyed by high income residents. Although, the original logic that the district government used to seize residents' property in this area was for the public to enjoy. However, since these goods and services offered at Xintiandi do not work for limited budgets, this type of space can be viewed as private or even exclusive within the public realm. The government lied families like the He's that they only had the power to evict households on the premise of the space being for public projects, not private business interests. Especially one that transformed a previous dwelling into a restaurant.

Chapter 3: State Directed Gentrification to Achieve Global City Status

Introduction to the second round of renewal (2000-2010)

The first installment of urban redevelopment was successful by producing unprecedented economic growth by rebuilding the city beyond the residual effects of the Mao-era. The new structures in Shanghai was starting to indicate the city was manifesting itself into a global city. During the 1990s, Shanghai built approximately 3,000 new skyscrapers, and improved Shanghai's urban image by putting urban land to higher valued use. For example, new residential complexes replaced traditional *lilong* lane-style housing. *Lilong*'s were becoming physically outdated because they were built in the early 20th Century and did not meet modern standards. However, the new residential buildings were considered 'luxury' quality not intended to be purchased by occupants that were evicted from the original site. Nonetheless, there was a lingering desire for the Shanghai government to continue rent seeking by putting urban land to higher valued uses because of earlier success during the first round of urban renewal. Each new project planned was intended to attract richer and more elite residents to provide alternative ways to stimulate the local economy.

The goals during the second decade of renewal (2000-2010) included shifting Shanghai's position of global competitiveness relative to other densely populated cities in China and across the globe. Shanghai was previously a prominent trading port and portrayed as a space that could generate economic opportunities for global and domestic market players. In light of Shanghai's previous global identity, the second decade of urban renewal was designed to continue rebuilding Shanghai into a modern global city. To expedite this process, more incentives were made available for capitalists to be a part of the development process or conduct business in the city. Additionally, the Chinese government tried to make this process more appealing from the

resident's perspective. Such as, introducing a new regulatory framework to guide the process of demolition and relocation, provide new compensation packages for resident's cooperation, and promote each project for the 'public interest.' However, the past decade of renewal was starting to influence the population demographics in the city. These effects caused native populations and urban spaces to become gentrified by wealthier Chinese and foreign presences. This process of gentrification is not new to any urban context. In fact, it is quite frequent across previous industrial cities that have made efforts to rebuild their environment. There are only a few global commercial and financial centers—Shanghai is now one of them, and the fastest growing. But, unlike other cases, the Chinese state used gentrification as a mechanism to generate more local rent revenues, promote new business activities, and encourage new higher paying residents to move to the city.

The second round of renewal (2000-2010) will analyze China's ascendance in the global hierarchy by winning the bid to host the World's Expo in 2010. This event supported Shanghai's emergence as a global city because of the magnitude of this event. For this reason, the Shanghai government expanded their criteria for potential sites to redevelop in order to cover more urban territory. As the city prepared for the World's Fair, residents who lived in targeted renewal spaces were forcibly evicted to make room for new land uses to transform the city. In most instances, residents were not adequately compensated and incurred a social cost because their interest were still ignored by the urban growth regime. Gentrification was simply a byproduct of this process that works to the benefit of the same dominating institutions. Ultimately, the living conditions of the local Shanghainese population were still ignored and forced to relinquish their homes during the second round of urban renewal.

Changing Methods: A Revised Framework on Demolition and

The new round of renewal tried enhancing the composite functions of Shanghai by raising its competitiveness on national and global scales. The first step for the city was to continue building more modern structures, integrate new municipal infrastructure, landscaping, and other environmental projects. The desire to do this expanded once Shanghai was a potential site to host the World's Fair. On December 3rd, 2002, the 132nd Meeting of the Bureau of International Exposition, voted to select Shanghai to host the 2010 World Expo. Shanghai's victory justified a second round of urban renewal because an event of this scale applied pressured to make the city look more modern that individuals from developed countries would find appealing. Furthermore, it was an opportunity for Shanghai and China to have a global platform to demonstrate the adaptations made during the post-Mao era. If the event was successful, the city would be able to reaffirm its historical status as a global city.

Even though, the first decade of development was successful, the city government needed to adjust their process to make redevelopment a more socially acceptable process. This included being more attentive to implement sophisticated planning controls, modifying relocation and compensation packages, and continue update housing options for different socioeconomic classes. Overall, the adjusted process reflects a two pronged approach: demolition (*chai*) and improvement (*gai*) when targeting portions of the city for a second round of renewal.

The demolition approach focused on which neighborhoods in the city should be demolished or rehabilitated. Between 2001-2010, demolition focused on sites that comprised more than 70 percent of *lilong* housing. "In total, 20.15 million square meters of low-quality [*lilong*'s] on 941 plots of land were targeted for demolition" (Wang 61). *Lilong*'s were still targeted for demolition because they represented a different era of Shanghai. Now that the city

was moving towards a contemporary global city, more access to urban land was needed to build modern housing accommodations. Another aspect of Shanghai's renewal that remained the same was property developers being the main institutional players that financed and implemented development activities. They were willing to continue investing in such projects because of favorable policies and higher yields on land uses for their role in each project. For instance, developers received free transfer of land development rights, reduced administrative charges for construction quality, demolition management, and construction permits. These reduced operating costs intended to decrease developer's initial investment from purchasing land use rights from the district government, and increase investment on the building activities. These favorable policies, created an increased demand for developers to access land use rights supplied by the district government.

Next, a criticism of the first round of renewal was the urban growth regime's inability to incorporate social equity to in urban renewal. The first set of demolition regulations were introduced in 1991, and gave the city government the ability to distribute demolition permits to developers without resident's consent. Without gaining residents approval, the urban growth regime could act by supporting only their interests. In the chapter two case study, the *He family* was not given a reasonable notice regarding the decision to have their entire neighborhood lot demolished. Let alone, being told their home would be turned into a high end restaurant.

Residents disagreed with how the district government handled their case, article 14 states, "residents can appeal to the people's Court" (1991 Demolition Regulations). However, residents were unable to achieve justice and adequate compensation because of an underdeveloped legal system. Judicial offices at the district level are appointed by district and municipal representatives of the city. This poses as a conflict of interest because judicial representatives

might only be interested in protecting the economic interests of district, instead of resident's ownership of property. Therefore, the demolitions that took place throughout the 90's caused public unrest and led to organized protests. To address these concerns, the Shanghai Municipal government on October 29th, 2001 implemented an updated policy that would improve housing demolition and resident relocation practices.

In 2001, new regulations were issued by the Administration of Urban Housing and Demolition and Relocation to strengthen the city's management of housing demolition and residential compensation. This was believed to protect the interests of residents whose homes were being subjected to demolition by providing a more transparent process of construction, and more sufficiently compensate affected residents. According to Article 12, "Construction units that need to demolish housing must apply to the District Construction Housing Land Bureau (D/CHLB) in the area where the housing to be demolished is located and may demolish only after obtaining the demolition permits" (Shanghai Housing Demolition and Relocation Regulations, Article 12). Development agencies that applied for demolition permits were required to submit the following documents: construction project approval documents, construction-use land planning licenses, approval documents for the right to use state-owned land, demolition plans and relocation programs, certificates of compensation and resettlement fund deposits, and certificates of resettlement housing with clear property rights. After submitting the required materials, the D/CHLB will review the application within thirty days. If the materials compiled a demolition permit would be issued. This revamped application process required all the developers to think about the process of development in its entirety. Furthermore, the updated procedure required the city government to manage the process, and prevent localized conflicts to arise.

The issued demolition permits specified a scope of each project, and why resident's homes needed to be demolished to provide a more transparent process. If developers at any point change the outcome of a project, they must apply to the D/CHLB and inform what changes have been made. In addition, the D/CHLB was required to publicly announce the relevant contents of revised demolition permits. This would give occupants in selected urban renewal neighborhoods to be conscious of the decisions being made in the urban growth regime.

The framework for demolition and relocation was revised to improve occupant engagement in the renewal process, and find better modes of compensation. This included broadening the criteria of residents who were qualified to obtain compensation. For example, residents that did not have formal certificates validating land ownership, were now entitled to compensation. In addition, the government transitioned away from resettlement packages that relocated residents to the suburbs. The 2001 regulations encouraged residents to accept monetary compensation because a cash settlement widened the potential resettlement choices. Cash compensation packages were determined on a price evaluation of the site that was conducted by a government official at the district level. Article 33 states, "compensation for demolitions of residential housing is to be based on the appraised real estate per-unit market price of the housing to be demolished and the construction of the housing to be demolished" (2001 Demolition and Relocation Regulations, Ch. 3 Art. 33). This calculation was based on the following formula:

Real estate market per unit price of demolished housing + price subsidy) x floor area of the demolished housing.

The "per-unit market price" refers to the price per square meter of the construction area, price subsidy standards are formulated by pricing authorities of the Municipal Corporation

Commissioner and Municipal Housing Land Bureau, and the floor area represents amount of space that residents had available in their home. Government official's interpretation of these variables would ultimately decide the amount of money residents would receive. However, the calculations of cash settlements were highly contentious because price evaluations neglected to incorporate the appreciation of land values in Shanghai. New construction projects were unfolding across the city, and created a spillover effect on urban land values. Therefore, residents who were willing to accept monetary compensation demanded more money because they were aware of valuable location of their home, and should be entitled to increased compensation. Price evaluations of construction sites were frequently below the offers that residents demanded, and put into question if evaluations were legitimate because it was administered by the government. Once again, the attempt by the government to provide adequate compensation fell short of its original goal. Monetary compensation was supposed to give residents more purchasing power to return to their homes on the new construction site or within close proximity. This was not realistic if land values in Shanghai are rising because developers would be handing back all their rent gains back to the original residents. For that reason, the money that was offered was not enough to purchase new home in the city, and forced resident's relocation towards the suburbs.

Next, the Shanghai urban growth regime pursued to integrate social equity into the 'New Round' of renewal by framing construction projects as 'for public interest.' As a result, the government introduced the phrase 'public interest' to promote the construction of affordable housing and renewal of older neighborhoods, and projects that could be enjoyed by all classes. According to the 11th five-year plan (2006-2010), the Shanghai government wanted to build affordable housing that ranged from small and medium sized units that meant to serve 70 percent of the overall housing supply (*Shanghai City Government*). However, the phrase 'for public

interest was loosely defined and rarely materialized into the final product of project. The idea of building affordable housing and other public amenities was used by local governments to acquire subsidies from central government to raise funds from the private capital markets (Ren 1088). This provoked more public disputes from residents via protest forums because the urban growth regime's systematic process did not change enough to dampen the institutional dominance over urban populations.

In 2005, the Chinese government implemented a 'sunshine policy' that addressed transparency and fairness, "to enhance the credibility of demolition practices, to ban oppressive relocation tactics, and to prevent serious inequalities between the compensation received by different households" (Wang 62). This policy meant to address the social unrest that arose during the urban development of the 1990s. "In 2002, a total of 285 petitions with 172 collection petitions regarding relocation were issued in Shanghai" (Wang 61). Petitioning was used to give residents a voice to share their social discontent with government officials. Settling housing disputes for residents who lived on the sites targeted for demolition through the petition system was common. Typically, these petitions would be issued at each level of government (district, municipal, and central government). Even though the petition system allowed residents to articulate their narratives of housing disputes, successful petitions were uncommon. Successful meaning the petitioning resident won their case and was provided with sufficient compensation, and members of the urban growth regime would be held accountable.

Despite the persistence of public turmoil and unresolved cases of demolition and relocation, the urban growth regime continued prioritizing their aligned economic and development interests to prepare for the 2010 World's Fair. Winning the bid for the upcoming World's fair forged an opportunity for Shanghai to have its global city status redefined in a

modern era. In order for that to happen, the city must continue rebuilding. The ‘Shanghai 365’ plan did achieve its original goal, but there were plenty more neighborhoods and old buildings that could still need improvement. Therefore, the city extended its redevelopment activities because of the success it had on the local economic development of the region, and helped revitalize the city. Preparing for the World’s Fair required the district government to continue selling land use titles to private developers. To expedite the process, the government offered more incentives to private real estate developers. These favorable subsidies were going to benefit the urban growth regime to preserve the use of demolition and relocation into the city’s economic development plan and guarantee developers would be willing to complete these projects while preparing for the World’s Fair.

After two decades of widespread demolition and relocation, social dynamics in the city were changing. The altering social landscape across densely populated cities that are rebuilding is a common observation. As the city becomes more attractive to live in, wealthier socioeconomic classes begin to take over the city. As a result, populations who cannot afford higher rent become isolated and are subjected to removal from the city. Gentrification in a Chinese context presents an expedited process of social change that is facilitated by an urban growth regime—more specifically, the Chinese government. The political structure at city and national levels did this by demolishing homes and evicting residents from their homes, and caused massive displacement of poorer Shanghai populations. Their homes would be replaced with modern high-rise apartments that could only be afforded by the new wealthier populations. The state-led intervention shows a shift in Shanghai’s urban atmosphere that symbolizes a more significant phenomenon. That is, using gentrification as a state-directed mechanism to achieve global city status.

State directed Gentrification to form a global city

The dynamic process of gentrification was initially coined by Ruth Glass (1964), who conducted research on how urban change through city revitalization efforts affected the demographics of the populations who lived in London. Her research describes the ‘classical’ definition of gentrification which, “disinvested inner-city neighborhoods are upgraded by pioneer gentrifiers and the indigenous residents are displaced. Working-class housing becomes middle-class housing” (Glass, 1964). The indigenous resident describes evicted residents whose family had occupied Shanghai for multiple generations. Whereas, the ‘pioneer gentrifiers’ are affluent populations that are migrating to Shanghai to seek economic opportunities offered in the city and enjoy the revitalized urban atmosphere. If capital is not reinvested to maintain the space, urban buildings will depreciate over time. The product of cities evolution at different point in time makes it unattractive for some residents to live in. In Shanghai, the city received minimal amounts of financial investment in the urban built environment because of the ideology during the Mao-era. This prevented the city from being thoroughly managed and resulted in urban decay.

Making the city more attractive for affluent populations to migrate towards required the city to invest capital towards the development of Shanghai. The rebuilding of Shanghai during the second round of renewal would generate positive effects on the overall landscape, public resources, and increase the quality of life in the city. However, these positive outcomes that stem from urban renewal can have a negative effect on the transformation of social dynamics in the city. Neil Smith (1982), describes the social outcome that is created through urban renewal. “Gentrification [being the] process by which working class residential neighborhoods are rehabilitated by middle class homebuyers, landlords and professional developers.” (Lees 9).

Smith notes there is a distinction between urban redevelopment and the outcome of gentrification. Redevelopment does not mean the rehabilitation of older urban buildings, but is the construction of new buildings on previously developed land. Therefore, capital investments to rebuild portions of urban environments is essentially producing urban spaces that will appeal to more affluent socioeconomic classes, instead of the native populations that were evicted.

The process of gentrification is generalized as the rehabilitation of older housing complexes that creates displacement of working class and native residents by wealthier populations. This puts low income neighborhoods at an extreme disadvantage because they are being priced out of the city, and their neighborhoods were some of the first to be targeted for renewal. Despite this generalized concept of gentrification, the definition has evolved since the “classical” definition described by Glass (1964). The process of gentrification can be expanded and interpreted in many different locations and contexts that reflect a strategic initiative in the political realm to increase a city’s comparative advantage. For Shanghai, not only did this mean at a regional or national scale—but at a global level.

The modern global city status that Shanghai was striving towards had high standards to pass. If Shanghai were to exceed a theoretical threshold, then the city must go beyond physical renewal and indirectly facilitate a change in the urban population. Saskia Sassen sets a benchmark case of what makes a global city by stating, “the circulation of people and capital that constitute globalization, and a focus on urban places in a globalizing world brings with it a recognition of the rapidly declining significance of the national economy, while also insisting that globalization takes place through specific social and economic complexes footed in specific places” (Sassen 26, 2005). Cities make this interpretation of a global city possible by following the trend of expanding financial systems across transnational borders to bolster capital

investments towards the city. This reflects an additional transition in the balance of economic power, “from production places, such as Detroit and Manchester, to centers of finance and highly specialized services” (Sassen 325, 2001). Shanghai was identical case by transitioning as a place of production to highly specialized services. As the evidence shows, the concept of the global city is constantly changing and taking on new functions, roles, and activities that are standardized at the time. This constant evolution of the urban landscape and the activities that exist within dominate the defining characteristics and demographics of the urban population.

This means that the population of the city will trace back to the local economic modes of development. In particular, global cities will mold their economic production around a dispersal highly specialized firms. For instance, programing, technology, telecommunications, finance, and retail. According to Sassen (2005), “the mix of firms, talents, and expertise from a broad range of specialized fields make a certain type of urban environment function as an information center.” This creates an agglomeration effect that forms a network of firms in the city that increases economic productivity. However, these activities that a global city performs dictates the workforce and the population that inhabit the city. Under these assumptions, the economic benefits that are created by the urban growth regime and earned by wealthier classes may not be able to be social reproducible across all populations. Especially those whose homes were demolished.

The urban growth regime’s institutional power creates a receding opportunity for broadening social reproduction that applies to wider socioeconomic demographics of urban populations. According to Taylor (1991), “cities are likely to challenge more traditional urban centers, not just in size and density of economic activity, but primarily as leading incubators in the global economy, progenitors of new urban form, process, and identity” (Taylor 58). If cities

are constructing their own identity in the new age of global cities, then the second round of renewal has extended political and economic dominance of the urban growth regime by a reconstructing built environment and new population to fill the urban space with.

Two decades of urban development in Shanghai has established the city government's presence that *initiates* and *facilitates* the gentrification process. This included, national constitutional mandates, decentralized fiscal and administrative authority. The state had incentives to leverage their institutional power and ownership of land to attract investment towards older neighborhoods of the city. This required the Shanghai municipality to act as an 'entrepreneurial state' that pursues rapid economic growth and raise local revenue. As mentioned earlier, the new round of renewal was driven by intercity competition and the making of a global city to be featured at the World's Fair. These modifications of economic growth and city development positioned the Shanghai government in active engagement of housing development that resulted in massive resident displacement. According to He (2007), "during the last 10 years [1995-2005] nearly 820,458 households have been relocated, and 41.88 million square meters have been demolished" (He 177). Affected residents were prevented from returning to their original homes and were coerced towards moving to housing accommodations in the suburbs based on the compensation they received. City-wide displacement allowed wealthier residents to migrate towards the city and enjoy the new benefits that Shanghai offered. This provided Shanghai with a new gentrified urban identity.

The new round of renewal set an expectation for the city to organize and host a successful World Expo. This established the strategy of urban redevelopment towards intercity competition at a national and global scale, place branding, economic restructuring, and the making of "global cities" (Wu 637). The premise of urban redevelopment was more than just improving current

housing conditions and earning revenue from increased values of land. The real agenda behind the urban growth regime's eagerness for a second round of renewal remained hidden. The 'New Round' of urban development was conceptualized as creating a "new housing class" that accommodate higher income residents that worked in various specialized service industries across Shanghai. In addition to new housing accommodations, the urban growth regime wanted to expand redevelopment efforts to other amenities that could be offered in the city. For example, high-tech parks, new mix use complex (office, shopping, and retail), and large scale superblocks. These new construction projects were supposed to create an atmosphere of global city quality to have a successful World Expo.

Beyond the necessity of each project to enhance the World Expo, each project, the targeted consumers were the emerging middle and wealthier classes rather than residents who were evicted. Shanghai was slowly becoming the most expensive Chinese city, and made low income urban residents unable to afford living in Shanghai. The next section will delve into the process of creating a new "global" urban environment for the World's Fair. Like the first round of renewal, many native residents of Shanghai had their urban lifestyles eradicated to the suburbs to make room for a new era in Shanghai's history.

Case study: Shanghai World Expo 2010 — Introduction

'Better City, Better Life' was made the official slogan of the World's Fair, and used as a method to advertise Shanghai. This event was a chance for the city to be on display as a model Chinese city, and validate Shanghai's status as a global city. For that reason, the Chinese government was moving forward with urbanization projects to support the narrative of Shanghai reaching that level of global competitiveness. Shanghai's urban growth regime continued to

expand their development interests by targeting older parts of the city to demolish. Hosting an event like the World's Fair helped prop up the urban growth regime's interests to redevelop the city. The urban growth regime claimed that changes in the city's environment would benefit the entire population and promote high standards of living. This shows why 'Better City, Better Life' was used as a national and city wide campaign. However, the better city and life, were only truly being experienced by the growth regime and the new emerging affluent population that were consuming the city.

When the government framed projects as, "for the public good" it was never intended for the native residents that sacrificed their homes. This was useful to expedite urban renewal, but the social cost was beginning to grow at such a high rate that it could no longer be suppressed through institutional dominance. Nevertheless, more awareness of this problem on a greater public scale was still not enough to amend earlier wrong doings. The city had already completed two decades of urban renewal that facilitated the removal of native Shanghai residents and their homes. Native resident's homes were replaced with new buildings that supported Shanghai's new global identity and a population to fill the urban space.

In 2001, Shanghai was competing with Yeosu, South Korea, to host the 2010 World's Fair event. The Bureau International Expositions, a Paris-based Organization was tasked with choosing the winning city. The organization was very concerned with scale of Shanghai and China's human rights violations. It would be contradictory for an international event at this level to be hosted by a supposedly 'model Chinese city' that disregards the protection of social equity. The Shanghai government sought higher attention to protect the interests of affected populations through revising methods of demolition and compensation. However, in practice, the process remained virtually the same because the urban growth regime's ability to maneuver the revised

development process to exclude residents that inhabited older parts of the city. In spite of these allegations against government officials in China, the event bid was won by Shanghai.

The Case of Maggie Lane

Changle Lu—referred to as “*Street of Eternal Happiness*” was a two-mile road located in the former French Concession. This culturally vibrant neighborhood was built with traditional Chinese buildings that symbolized the fusion of East and West architecture styles. A majority of residents homes in the neighborhood were built in small alleyways of the *Shikumen* style. Inside this Shanghai neighborhood was “Maggie Lane”—exactly one block adjacent to *Changle Lu*. This city block was a collection of 178 buildings that dated back to the early 1930s, and was considered “the most orderly, well-kept *Shikumen* neighborhoods” by Shanghai officials. Still, this block became a target for modern day urban renewal because those buildings from a different that could no longer exist in a modern global city.

In 2002, Maggie Lane became one of the first projects in the New Round of urban renewal. Residents who occupied the neighborhood presumed that city officials would be more attentive to uphold their right to continue living in the neighborhood following demolition and construction. Based on the attempts of city officials to contextualize social concerns, it was not completely unrealistic for residents to believe. However, once Shanghai won the bid to host the 2010 World’s Fair, the preservation of the native Shanghai communities started to become less of a priority.

Xuhui District officials, the district where Maggie Lane was located, auctioned off the land use rights to the *Chengkai* Group, a Chinese developer. Later that year, the developer posted notices of eviction under the doors of every home in Maggie Lane. This left residents confused if

they were able to retain their rights of ownership and seek compensation because it disregarded the demolition and relocation provisions that were recently made. The Xuhui district forwent monetary compensation and returned to the same practice of relocating residents to the suburbs. The corruptive nature of the district's urban renewal methods of was becoming clear. District officials only wanted to designate older neighborhoods to be demolished in creating a new global city that would host the World's Fair. The underlying goal was using rapid economic development achieved through building new parts of the city as a proxy to gentrify the city's population. Instead of allowing the original occupants to return, the urban growth regime built new modern high rise apartment complexes to suit the city's new urban identity.

By 2004, a majority of Maggie Lane residents had negotiated and agreed upon compensation packages that moved them to small suburban apartments located in the periphery of Shanghai. Despite the tempting compensation offers that were made, small groups of Maggie Lane residents refused to accept any offer. They believed the transfer of land from the Xuhui district to Chengkai Development agency had no legal basis because it did not incorporate the new rules of urban renewal. These residents held out as long as they could, but the burgeoning interests of the district to complete this project was becoming too much to repel. Eventually, the patience of the district officials grew thin, and tasked Chengkai Group's demolition crew to evict residents that were still there. The approach for demolition crews stayed the same to forcibly evict residents from their home. These demolition teams relied on intimidation tactics by scare residents to leave their homes, just like the first round of urban renewal.

A native resident of Maggie Lane, referred to as *Old Kang* recounts his experience. "At least twenty thugs surrounded my house. They cut my water and gas, and then they pulled my front door off the hinges. I refused to leave. Then they threw rocks through my window and

poured buckets of raw sewage into the house. It was disgusting and the smell was horrible...” (Schmitz 35). These actions did not account for the new demolition and relocation regulations that were implemented because this activity was also contracted out to the private developer to complete. Therefore, occupants that remained on the site were preventing the developer from completing the project on time, which led to unethical intimidation tactics. After being evicted, *Old Kang* has been without a home for nearly eight years. *Old Kang* insists that he only wants the government to pay his rent for a small apartment near his old home. However, rent for a small apartment in Shanghai was priced at around two thousand yuan per month. This was unaffordable for *Old Kang*, and a cost the developer did not want to pay. The strategies that the district and developers employed raises questions about how fair legal rights would be enforced when the perpetrator has political institutional power. As China continues to physically develop into a “modern society” it appears that that a legal system to hold urban growth regime agents accountable has yet be created.

The families who remained attached to Maggie Lane were met with more pushback from the District government. Still, the District’s interest in developing the space did not wither. The Xuhui government tried to provide more justifiable reasons to demolish this space. Additionally, the district government started by issuing notices of official relocation orders that were signed by a local court. This is a common practice used by district officials that exerts their judicial influence onto residents to facilitate demolition and relocation.

Another strategy that was utilized by the district government was rezoning Maggie Lane as “public” land. This meant that the redevelopment of Maggie Lane was supposed to be used as a public service (i.e. park, school, government buildings, ect). The rezoning of Maggie Lane was expected to prohibit the redevelopment to be for commercial or residential purposes.

Nevertheless, the value of Maggie Lane was becoming so valuable that it could no longer be sitting idle. “Between 2003 and 2013, property prices in the city had climbed an average of 14 percent a year, with the most luxurious condominiums in the neighborhood selling for the equivalent of millions of U.S. dollars each” (Schmitz 167). Adding an optimal set of public goods and infrastructure maximizes urban land values. Therefore, Maggie Lane eventually met its fate and would be destroyed because of the underlying interests of the district government to complete the task of demolishing the lot, and replacing it with something that was inaccessible to the evicted population.

Regardless of what the land would be used for, evicted residents would be unable to afford to live in the city because of higher rent. The incentives and motives behind the urban growth regime has affected the social dynamics in the Xuhui district, and impacted the residents that moved to the outskirts of the city. Maggie Lane was replaced with tall standing skyscrapers that provide luxurious housing accommodations that are hardly close to being affordable by a majority of the Shanghai population.

As one resident from Maggie lane said, “Shanghai brags that it’s an international metropolis [global city], but it’s a city without any culture. It only has skyscrapers. The property prices are too high for *laobaixing* (referring to common Chinese folk) to afford” (Schmitz 187). In the process of revitalizing the city for the World’s Fair, older parts neighborhoods that retained the historical image of Shanghai was now demolished. These cultural icons are now gone, and have been replaced with luxury high rise apartments. For example, the Summit Shanghai was built in 2006 that consists of seven towers: two 5-storey towers; one 7-storey tower; one 9-storey tower; one 17-storey tower; one 31-storey tower; and one 43-storey tower. The asking rental price is anywhere from being as low as 26,000 yuan to 60,000 yuan (equivalent

to around \$4,000 to \$10,000 U.S. dollars) per month ("Summit Shanghai"). According to the Shanghai city government, the average monthly salary of a Shanghai resident is around \$6,000 yuan (*Shanghai City Government*). This demonstrates how expensive new housing facilities were becoming in a modernizing global city. That being said, residents that occupied older parts of the city could no longer afford more expensive rentals and were forcibly evicted to make room for new amenities to be on display for the World's Fair in a new global city.

Conclusion

Deng Xiaoping recognized the importance of Shanghai's development to lift the shadow of the Mao-era that remained cast on the city. There are different variables that put Shanghai in this condition. First, Mao's economic policies fixated on industrial output which influenced Shanghai's lack of urban development during his reign. This included an ideological framing of production first, then living that subjected the entire population to mobilize towards surpassing the industrial output of western countries. Shanghai was heavily relied on to achieve these national economic goals because of the accumulated capital and expertise of a once economically prosperous region.

Second, urban land was nationalized and was a benefit of the work unit in the socialist economy. Employee's would be assigned housing and be required to pay nominal rents for their residency. This reflects the latter of "production first, then living" phrase. Housing being considered as a public good made it less worthwhile to expand, revitalize, and invest towards. Third, restricted fiscal policies required Shanghai to remit their locally generated revenue to Beijing to be redistributed nationally. This was fundamental attribute of Mao's socialist nation. The entire country must develop all together, and prevent any inequitable allocation of resources. Ultimately, each attribute of Mao's socialist economy led to the decline of Shanghai.

In 1990, Deng publicly announced to more effectively incorporate Shanghai into national economic development plans during the Reform and Opening. It made good sense to improve Shanghai's economic condition because of the city's optimal geographic location. Located at the mouth of the Yangtze River, Shanghai provided easy access to China's inland provinces. The intrinsic value of Shanghai's location made it difficult to exclude from returning to a centralized place to promote economic activity. Despite the current physical state of Shanghai, the CCP wanted to recycle the use of the space by creating a new modern urban identity. Across the

Huangpu river from the “old-city” of Shanghai [where the foreign concessions are located], was underdeveloped farmland that was targeted to be developed. This location was chosen for the Pudong project, which consisted of constructing the Lujiazui Finance and trade zone, Shanghai stock exchange, Shanghai World Financial Center, Jin-Mao Tower, and the Oriental Pearl tower. The development of these projects were crucial components in following the 10 preferential policies for Shanghai that included: “...permission to set up new service industries, establish a free trade zone, and attract foreign banks, and allowed for one of the experimental stock exchange sites” (Yatsko 23). This allowed Shanghai to accept a variety of foreign and private firms to cluster in the city. The modern buildings that were developed by the urban growth regime can be interpreted as indicators of a city that could accommodate advanced market exchanges. In addition to building new structures that reflected this global identity, Shanghai needed to turn their attention towards repurposing the residential buildings that have been standing since the early 20th Century.

Rebuilding older parts of Shanghai in a market socialist economy to achieve economic growth meant finding new methods to change the use of land and attract investment to revitalize the city. The first chapter describes Shanghai and the Central Government’s institutional framework that defined property and land use rights. The Reform and Opening movement caused public policy to be reinterpreted that utilized the free-market and private sector involvement to endorse city-wide development. The 1982 Constitution, emphasized two essential features: 1) city governments strengthened their autonomy to promote local economic development and 2) leverage their ownership of land to attract private investments towards rebuilding the city. After the 1988 amendments were made, city governments could auction land-use rights to a private developer to rebuild the urban built environment. Lastly, the Shanghai bylaws reaffirmed the

institutional control of the Shanghai government and private developers [i.e. the urban growth regime] to use the process of urban renewal by contributing to regional economic growth. The ability for the government to write these rules were due to the public ownership of land and residents ambiguous property rights. Ultimately, this created the foundation for demolition and relocation to be the main mechanism to complete outlined goals of the urban growth regime over the next two decades of urban renewal (1990-2000) and (2000-2010).

Chapter two defines the aligned interests between public-private sectors as the urban growth regime. The urban growth regime's institutional power expedited the construction projects that were planned during the first round of urban renewal. Their institutional foundation created an atmosphere for rent seeking on urban land that needed to be redeveloped. Rent seeking activity was simply a product of the corrupt relationship of public-private institutions in the urban growth regime. The Shanghai government wrote unfair property rules that leveraged their monopoly of urban land to allow private developers to use demolition and relocation as a mechanism to complete their projects and earn rent. The projects that were built during the 1990's successfully transitioned Shanghai away from the state it was in during the Mao-era. There was obviously a lot more of the city that needed to be developed, but this was a good start. However, the success of the first round of urban renewal forced residents to bear the social cost of being evicted, seeing their homes be demolished, and relocated to the Shanghai suburbs.

Chapter three extends the scheme of urban redevelopment to create a new global city in a modern era during the second round of urban renewal. This was accomplished by gentrifying the urban built environment and the population that inhabited these new urban spaces. The city was successfully by rebuilding the urban environment as a strategy to carry out local economic growth and development. Regardless of the first round of renewal's success, the second round of

renewal attempted to account for the social cost experienced by urban residents during the 1990s. Nonetheless, public policy responses made by the Shanghai and Central Government proved to be ineffective. The urban growth regime continued to use their institutional power to remove Shanghai residents and their homes to build new housing accommodations, and attract a new population to the city. Eventually, the mass removal of residents that transpired during both rounds of renewal gentrified the urban space. The city is now unaffordable for the native residents that have lived in the city for many generations.

In spite of the internal social conflicts that arose among the constituency of Shanghai, from an external perspective—it is hard to argue with the success the city has had. The condition Shanghai was in during the Mao-era does not come close to comparing to the contemporary global city that has developed since the Reform and Opening. Through rebuilding the city, Shanghai has been able to create unprecedented growth rates that has helped the entire region prosper as a centralized space that promotes new economic opportunities. The new economic base that the city created utilizes a number of specialized services industries. For example, commerce, financial industries, real-estate, technology, and international business activity. All together, the new economic base requires an experienced workforce to fill the positions in these firms that have emerged across the city. The new housing options and urban amenities that were developed at the expense of native Shanghai residents were supposed to provide higher quality living for the populations working in these new industries. Still, the enhanced quality of life for the “the public interest” of Shanghai has come at the expense of the residents who sacrificed their homes for these new urban projects. The new Shanghai that has emerged in the modern era was built through the demolition and relocation of poorer native residents and their homes. This shows that each project proposed and development in the city was not truly for the interest of the

original public body. Instead, it was for the wealthy populations that were migrating to the enhanced urban atmosphere that had been built during the two decades of urban renewal.

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